MSE

ANNUAL REPORT 2010

20th mse anniversary

ANNUAL REPORT 10

Malta Stock Exchange plc

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Malta Stock Exchange plc

as at 31 December 2010

Board of Directors

Chairman	Arthur Galea Salomone
Deputy Chairman	Antoine Fiott
Directors	Charlotte Attard
	Richard Sladden
	Karen Spiteri Bailey
Secretary	Marie Cordina

Audit & Remuneration Committee

Chairman	Karen Spiteri Bailey
Members	Charlotte Attard
	Arthur Galea Salomone
Secretary	Marie Cordina

Executive Committee

Chairman	Eileen V Muscat
Members	Robert Vella Baldacchino
	Simon Zammit
Secretary	Marie Cordina

Securities Settlement System (SSS) Committee

Chairman	Eileen V Muscat
Members	Saviour Briffa
	Elizabeth A Calleja Mousu'
	Marie Cordina
	Stephanie Galea
	Alexander Pace
	Robert Vella Baldacchino
	Simon Zammit

Company Secretary

Marie Cordina

Letter of Transmittal

The Chairman
Malta Stock Exchange plc
Garrison Chapel
Castille Place
Valletta VLT 1063

15 April 2011

The Chairman & President
Malta Financial Services Authority
Notabile Road
Attard BKR 3000

Dear Sir

In accordance with the Financial Market Rules stipulating Financial Reporting and Financial Reporting Requirements applicable to Regulated Markets and Central Securities Depositories, I have the honour to transmit the Audited Financial Statements and a report on the activities of Malta Stock Exchange plc for the period ended 31 December 2010.

Yours faithfully

Arthur Galea Salomone
Chairman

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Chairman's Message

Chairman's Message

Resilience continued to characterize the local capital market during 2010, notwithstanding adverse developments on the international front. Though internationally, green shoots of restored confidence were perceptibly evident in a number of financial markets, the eruption of the eurozone debt crisis underscored the point that recovery was in fact fragile. Though far from being immune to the vagaries of international markets, confidence in the local capital market did not appear to wane markedly.

During 2010, the Malta Stock Exchange successfully continued to fulfill its role as an effective alternative venue to raise finance. For the third consecutive year, offerings on the primary market surpassed the previous year's record. Fixed income corporate bonds remained a popular instrument with issuers and investors alike. Fifteen corporate bonds were admitted to the market in 2010, in addition to twelve Malta Government Stock issues and one equity issue. The primary issue value for 2010 totaled circa €904 million, besides a further issuance of €1.3 billion worth of Treasury Bills. Significantly, for the first time in a number of years, institutional take-up for the 2030 Government stock issued in November was not possible, as retail demand, totaling €93.6 million, far exceeded the amount on offer. Attracting equity issues to the Exchange remains very challenging and the response to the only equity flotation for 2010, appeared to reinforce investors' preference for fixed income securities. It has been evident that, in times of crisis, the local capital market has been a point of reference for local investors seeking to repatriate their capital.

Total trading turnover for 2010 amounted to €515 million, a decrease of 7% compared to the previous year's figure. This decrease was attributable principally to reduced trading in Treasury Bills. In all other market sectors, trading activity increased considerably over the previous year. Trading in equities increased by 43% when compared to 2009 turnover figures. The number of trades executed on the market also increased by 45%. The MSE Index continued to climb by just over 9%, so that by the end of 2010 total market capitalisation amounted to €8.4 billion, an increase of €0.9 billion over the previous year end.

Following protracted discussions with both listed companies and stockbrokers, trade ranges were widened to +/-10% from the previous traded average price. It was also decided to remove trade ranges entirely subsequent to specific corporate actions, thereby allowing the market to react immediately to any price sensitive information published by issuers. It was felt that the procedures struck a balance between the need to have an effective circuit breaker mechanism in the event of unusually disproportionate market volatility, without artificially hindering market reaction or dampening trading and liquidity.

The financial performance of the Exchange for the year was very positive. The Exchange registered a pre-tax profit of €1.7 million, an increase of €0.5 million over the previous year. Improved performance was attributable to increased revenue from admission and register-related fees, coupled with strict expenditure controls.

2011 is indeed a milestone year, marking the 20th anniversary since the establishment of the Exchange's first governing Council and the tenth anniversary since remote trading was launched. The Exchange has undoubtedly come a long way since its inception. It is not, however, intended to use this milestone merely as a time to commemorate past successes but rather as an opportunity to veer the Exchange towards further growth.

As has been evident during the past months, it is not expected that in 2011, the primary market will be as active as it has been in the past three years, though quantity of listings, it must be said, is not necessarily or invariably the optimum measure of success of an Exchange. The Exchange will increase its marketing efforts in order to attract new quality listings, whilst seeking to consolidate its operations by upgrading its infrastructure.

Plans for the replacement of the Exchange's trading system are expected to come to fruition during the coming two years. Simultaneously, the Exchange will be upgrading its Central Securities Depository software in preparation for participation in Target2-Securites. It is intended that new state-of-the-art technology will serve as an effective business enabler which will improve connectivity and facilitate internationalization of our market. Though Government, as shareholder, has no immediate plans for the privatization of the Exchange, it is increasingly evident that the Exchange cannot rely exclusively on the local market for sustained growth. Developing a niche for the Exchange is, therefore, increasingly important if meaningful internationalization is to be achieved, an objective which to date remains challenging.

During 2011, a number of new services will be launched by the Exchange. By the end of the first quarter, the Exchange intends to establish, jointly with Clearstream Luxembourg SA, an international link which will enable Maltese listed securities to be cleared and settled on an international settlement platform, thereby facilitating cross border trading. The Exchange has also developed a tailor - made system which enables electronic participation in General Meetings. There are active discussions with a number of listed companies which are interested to subscribe to this service, enabling them to comply with the Shareholder Rights Directive. Besides seeking to attract new customers, the Exchange intends to achieve growth by providing new services to existing customers.

The Exchange's positive results for 2010 would not have been possible without the valid contribution of the Management and staff at the Exchange as well as the support of my fellow Board Members. Heartfelt thanks go to Mr. Mark Guillaumier, the outgoing Chief Executive, for his long service, dedication and allegiance to the Malta for almost two decades. I am also indebted to our regulator, the MFSA, as well as our shareholder, the Government, without whose support the Exchange's continued success would not have been possible.

Arthur Galea Salomone
Chairman

Chief Executive's Report

Chief Executive's Report

Twenty years have passed since the Exchange became a reality upon the enactment of the Malta Stock Exchange Act on 13 November 1990, since the subsequent appointment of the first Council on 24 January 1991 and, on a more personal basis, since I officially started working for the Exchange. At that time I would not have believed that twenty years down the line I would be writing this Report. It is, however, both an honour and a privilege, to be heading this still-young organisation during this milestone year.

We will have ample occasion during the coming months to look back over our short but not uneventful history, not only to celebrate our achievements but also to reflect upon what we have attained and to continue to consolidate our position within the local financial sector. Looking back over the last two decades, similar to any other newly set up organizations, we have had both highs and lows but, despite the sometimes very difficult situations, we have much to be proud of. The last three years in particular have seen the Exchange steer a steady course through the on-going global financial turmoil, firmly entrenching itself as an important part of the local financial sector.

The figures speak for themselves. Over the past three years, the value of primary market issuance (excluding Treasury Bills and Collective Investment Schemes) has exceeded €2 billion, spread over 62 issues of equities, corporate bonds and Government stocks. Secondary market turnover over the last three years has exceeded €1.5 billion while the Malta Stock Exchange Equity Index has continued to rise and the number of investors holding balances in listed financial instruments exceeded 235,000 at the end of 2010. Indeed, 2010 was a particularly active year for the Exchange from a primary market perspective, seeing 28 new issues come to the market with an issuance value exceeding €900 million, coupled with a considerable increase in the number of investors participating in the primary market. These figures are reflected in the financial results of the Exchange which has registered a profit before tax of over €4.3 million during the past three years. Considering the size and largely domestic spread of the market, these figures are not insignificant and could only have been achieved through the confidence shown in the market by both investors and issuers.

Looking forward to 2011, as already mentioned by the Chairman in his Address, further development and expansion of its core functions, namely admission, trading and register functions, remain paramount strategic goals for the Exchange. However, such core strategic goals must be coupled with the development of new services and products in order for the Exchange to remain not only competitive, but profitable. In this regard, 2011 will see the culmination of two projects that have been on the cards for some time. The first is the Clearstream Luxembourg SA – Malta Stock Exchange link that enables Maltese listed financial instruments to become eligible for clearing and settlement on an international settlement platform, thereby facilitating the cross-border trading of these financial instruments by both Maltese and international investors. The first implementation stage of this project is scheduled for April 2011 with further services being added as the project progresses. We believe that such connectivity is imperative for a continued expansion of not only the secondary, but also the primary market. In providing such services, the Exchange will for the first time, be taking on the role of custodian as provided for in the Financial Markets Act. The other project which is also scheduled to be launched in the first quarter of 2011, relates to the provision of new services to listed companies that emanate from the requirements of the Shareholders Rights Directive. The Exchange has built a system which leverages the relationship that it already has with listed companies through its register services, that provides various services to listed companies related to General Meetings including an on-line voting system, electronic registration of proxies, counting and reconciliation of ballots, production of ballot papers, video streaming of General Meeting proceedings as well as other ancillary services.

Besides these two projects, during 2011 the Exchange will also embark on major upgrades to both its trading as well as to its central registration software. Both these upgrades will be concluded in 2012 and will provide the Exchange with state-of-the-art trading and registration software that will not only increase and facilitate functionality but more importantly will provide, in line with the Exchange's strategy to internationalize, greater connectivity which will facilitate entry of international issuers and investors to the local market and greater exposure of Maltese securities to facilitate their international trading and will also facilitate the entry into the market of new market participants such as market makers as well as on-line access to their registry accounts by investors. In particular, the new registry software will provide the requisite functional IT platform for the Exchange's eventual participation in Target2-Securities, the Eurosytem led project which will provide a pan-European settlement system and will be a major step forward in the delivery of an integrated securities market. The Exchange continues to be very involved in this project. While Target-2 Securities is planned to go live in 2014, the rate and breadth of preparatory work has stepped up considerably during the past few months as it is envisaged that the Framework Agreement to be signed by all participating Central Securities Depositories will be finalized and signed by October of 2011.

As we have seen, 2011 looks to be a momentous year. Not only does this year mark a milestone anniversary but the various projects coming on stream and projected for the coming months which we believe are necessary to help the Exchange face the challenges posed by the continuing financial turmoil and the significant new EU legislation that will increase competition at all levels of the Exchange's business, will take the Exchange into new areas of business and a truly international environment.

I cannot conclude this Report without saying a personal thank you to my predecessor, Mark, for his support, guidance and friendship during his career with the Exchange. I would also like to express my appreciation to the Chairman and Board of Directors for their unfailing support and encouragement, particularly during the first few months in my new role, and last, but certainly not least to, all my colleagues at the Exchange without whose help and commitment my job would be impossible to accomplish.

Eileen V Muscat
Chief Executive

Administration Report

Administration Report

GOVERNANCE

The Board

At the end of 2010 the Board was composed of Dr Arthur Galea Salomone, Chairman, Dr Antoine Fiott, Deputy Chairman and Ms Charlotte Attard, Dr Richard Sladden and Ms Karen Spiteri Bailey, Directors. The Chairman and Board of Directors were re-appointed by the Shareholders in General Meeting for a period ending 30 June 2011. Ms Marie Cordina held the post of Secretary to the Board at the end of the year.

Ms Eileen V Muscat occupied the post of Chief Executive at the end of 2010 following her appointment in September.

The same individuals also occupy the posts of Chairman and Directors and Company Secretary of MSE (Holdings) Ltd and CSD (Malta) plc, the other two companies forming part of the Group.

General Meetings

The Annual General Meeting of the Company was held at the Exchange's premises in Valletta on 21 April 2010. During this meeting, the shareholders approved the Audited Financial Statements for the period ended 31 December 2009. The Shareholders also approved the re-appointment of the Chairman and Directors up to 30 June 2011 as well as the re-appointment of the Company's Auditors, Ernst & Young, for a further year.

An Extraordinary General Meeting was held on 20 August 2010 wherein the Shareholders approved a Gross Interim Dividend of €599,400 as well as approved amendments to the Memorandum and Articles of Association of the Company that ensued from the appointments of the new Chief Executive and Company Secretary.

Board Meetings

The Board of Directors was convened sixteen (16) times during the year, which besides the regular monthly meetings included a number of Ad Hoc meetings convened to discuss the purchase of a new trading system and other infrastructure projects.

Throughout the year the Board focused its discussions on the short-to-medium term strategic goals of the Exchange, particularly on the development of diverse services providing new income streams and the continued development of the Exchange's international footprint. The Board also discussed on-going projects, staff matters and other operational and regulatory issues.

Committees

Subsequent to the appointment of the new Chief Executive some changes were made to the composition of both the Executive Committee and the Securities Settlement System Committee. Ms Eileen V Muscat, Chief Executive replaced Mr Mark A Guillaumier as Chairman of the Executive Committee and the Securities Settlement System Committee. Furthermore, the composition of the latter Committee was widened to include all the Senior Managers of the Exchange given the cross-discipline functionality and operational nature of the settlement-related projects being undertaken by the Exchange.

Audit Committee

The Audit Committee was convened on a monthly basis throughout the year when it reviewed the Management Accounts of the Exchange and at the same time monitored both the expenditure and the investment portfolio of the organization. The Audit Committee was also very active in overseeing the restructuring of the Finance Office within the Exchange and the introduction of new procedures within this office to ensure enhanced financial control and more efficient processes and reporting.

The Audit Committee also reviewed and approved new procurement procedures in line with updated Procurement Regulations issued during 2010.

Executive Committee

The Executive Committee met twelve (12) times during the year under review including a number of Ad Hoc meetings convened to discuss on-going projects. In accordance with its terms of reference the Executive Committee made various recommendations to the Board regarding amendments to the Bye-laws and fees as well as regarding staff and operational matters. The Executive Committee also continued to oversee the implementation of the Exchange's policies and strategies as set out by the Board.

During this year the Executive Committee also held a number of meetings in conjunction with the Security Settlement System Committee with regard to the many technological projects being undertaken by the Exchange.

Security Settlement System (SSS) Committee

The SSS Committee met regularly during the year. In line with its terms of reference as revised in 2008, this Committee took on a more technical and operational role. The expanded composition of the SSS Committee allowed for its active involvement in the major projects currently being developed by the Exchange related to clearing and settlement, in particular, the proposed link with Clearstream Banking, one of the largest ICSDs in Europe, envisaged to facilitate cross-border settlement of Maltese securities.

The SSS Committee was also actively involved in the Target-2 Securities (T-2S) project particularly in providing feedback to the T2S Programme Board and to support and advise Senior Management and the Board with regard to this project.

Mr Mark A Guillaumier

Mr Mark A Guillamier who had held the post of Chief Executive since 2001, retired in mid-September 2010. Mr Guillaumier had been with the Exchange since 1992 and had held various posts within the organization prior to his appointment as Chief Executive. Mr Guillaumier was involved in all the major developments that took place within the Exchange during his 18 years with the organization. He also represented the Exchange in a number of international fora.

On 24 September 2010 the Board hosted a Dinner in honour of Mr Guillaumier which was attended by around 200 guests including the Management and staff of the Exchange, ex-Chairmen and Directors, regulators, ex-Exchange staff, Members, Listed Companies, family and

friends. In a brief speech the Chairman thanked Mr Guillaumier for his contribution and commitment to the Exchange during his long career with the organisation. Mr Guillaumier also spoke about his time with the Exchange, all the developments and changes he had seen during the past 18 years, the good memories he would be taking with him and his best wishes for the future to his successor and to the Exchange.

New Appointments

Ms Eileen V Muscat was appointed as Designate CEO in June 2010 and confirmed as Chief Executive in September 2010, upon Mr Guillaumier's retirement. Ms Muscat has been with the Exchange for almost 20 years and is the longest-serving employee of the organization. Throughout her career with the Exchange, Ms Muscat gained experience in all the operations of the Exchange and held the post of General Manager since 2001, prior to her appointment as Chief Executive in September.

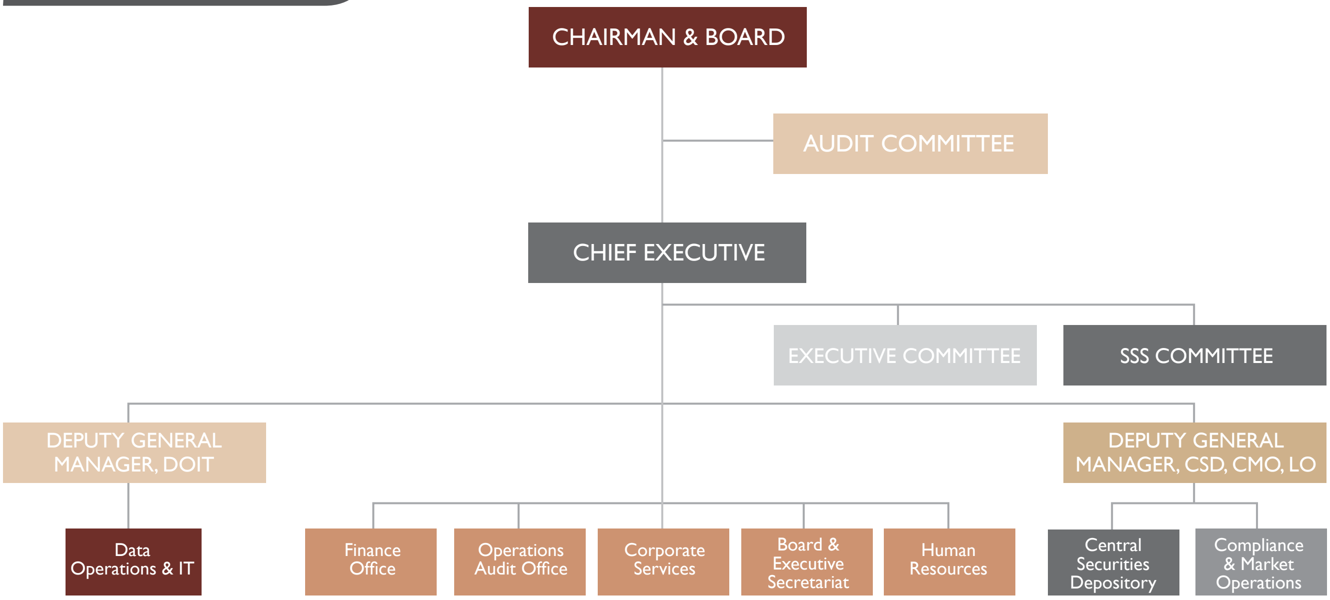
Ms Muscat relinquished her post as Company Secretary and Secretary to the Board upon her appointment as Chief Executive and was replaced by Ms Marie Cordina, Senior Manager, who was appointed by the shareholders in General Meeting. Besides heading the Exchange's Operations Audit Office, Ms Cordina is also Secretary to the Audit Committee and to the Executive Committee.

HUMAN RESOURCES

Staff Complement

At the end of 2010 the staff complement was fifty (50) including both full-time and part-time employees. In fact forty-eight (48) employees were on full-time indefinite contracts while two (2) employees recruited during 2010 were given part-time definite contracts, renewable as appropriate. A number of employees on definite contracts were given the opportunity to sign indefinite contracts with the Exchange throughout the year while another junior employee on a definite contract left the Exchange in order to continue with full-time studies.

Organisation Chart



Apart from this junior employee, Mr Mark A Guillaumier, Chief Executive, also left the Exchange upon reaching retirement age in September 2010. Only two (2) receptionists were employed during the year.

A number of employees continued to enjoy the benefits of the Exchange's family-friendly provisions through the year. Two (2) employees were each granted a five-year Career Break while another five (5) employees benefitted from the Exchange's teleworking policies and a further four (4) employees worked on reduced hours.

Four (4) members of staff were re-deployed to different offices in order to strengthen the organization and increase the efficiency of the Exchange and also to give staff members the opportunity to gain experience of different operations of the Exchange.

Staff Training

Throughout the year a number of staff underwent training through specific industry training courses as well as by participating in seminars and conferences both locally and overseas. Among the subjects covered in the training undertaken were regulatory matters, Islamic Finance and Human Resources related matters.

Another employee was also given the opportunity to undertake a full-time degree course at the University of Malta, while other members of staff continued post-graduate studies in finance, management, computing and information systems and international law.

During 2010, Anthony Cardona, Manager, obtained a Master of Arts in Creativity and Innovation from the University of Malta. His dissertation dealt with "Stress vs Creativity".

Towards the end of 2010, the Exchange launched its Training Programme for 2011 which includes both local and overseas training on diverse subjects.

Union Representation

Throughout the year Senior Management held a number of meetings with the Professional and Financial Services Section of the General Workers Union, the only Union granted recognition with the Exchange. Matters discussed related mainly to issues that arose from time to time.

Towards the end of the year both the Exchange and the Union submitted their proposals in connection with negotiations regarding a new Collective Agreement and set out a programme for such discussions due to take place throughout 2011 prior to the expiration of the term of the current Collective Agreement on 31 December 2011.

The Exchange would like to take the opportunity to thank the Staff Committee headed by the Shop Steward, Mr Robert J Sammut, and the Section Secretary, Mr Cory Greenland, for their very valid contributions to relevant discussions.

Social Events Committee

In August 2010 a Social Events Committee was set up under the Chairmanship of Mr Alfred Sammut, Manager Human Resources and including a number of staff from various offices of the Exchange. The Committee was tasked with organizing social, cultural and philanthropic activities for the staff and their families.

The Committee met four (4) times during 2010 and organized a number of highly successful activities including a barbeque, karaoke night, Christmas outing and Children's Party and philanthropic activities such as a dress-down Friday.

The Committee was also instrumental in the issue of the first edition of the "Mini Mag" an in-house magazine intended to give a light-hearted view of all events and developments happening within the Exchange.

The Committee continues to work hard and has planned a number of events for 2011 including various cultural and philanthropic activities.

REGULATORY MATTERS

Memorandum and Articles of Association

During the Extraordinary General Meeting held on 20 August 2010, the Shareholders approved two amendments to the Memorandum and Articles of Association of the Company. The amendments to Article 9 of the Memorandum of Association and to Article 59 of the Articles of Association reflected the appointments of the new Company Secretary and the new Chief Executive respectively.

Legislation

Financial Markets Act

Act XIX of 2010, (Act to amend various financial services laws) included amendments to the Financial Markets Act (Cap. 345 of the Laws of Malta). These amendments dealt mainly with the functions and responsibilities of the Listing Authority and the Listing Committee together with some other minor amendments in various articles.

The Regulations regarding Designated Financial Instruments came into effect in September 2010. At the same time, however, discussions are continuing with the Competent Authority regarding further proposed amendments to the Financial Markets Act and to relevant Regulations issued in terms of the said Act, relating to the responsibilities and functions of the Central Securities Depository in particular those sections dealing with public access to information.

Related Legislation

Code of Organisation and Civil Procedure

Article 285 (l) of the Code of Organisation and Procedure was amended to reflect that in the case of financial instruments held within a central securities depository, a warrant of seizure shall only take effect if no transfer order or netting affecting such financial instruments has been entered in an approved securities settlement system.

Income Tax Act

Act I of 2010 (An Act to implement Budget measures) included amendments to the Income Tax Act (Cap. 123 of the Lws of Malta), in particular amendments to Article 5 relating to capital gains tax as applicable to transfers in listed securities.

Bye-laws

In August 2010, following approval by the Competent Authority, the Exchange issued amendments to the Bye-laws in the context of Anti Money Laundering provisions with regard to Enhanced Due Diligence measures and also in the context of amendments to the Financial Markets Act.

In terms of the Prevention of Money Laundering and Funding of Terrorism Regulations, the Exchange is a "subject person" and, should, therefore, comply with the provisions of the Regulations regarding Enhanced Due Diligence Measures. However, as the Exchange does not have a direct relationship with clients, the guidance received from the Financial Investigation Analysis Unit as Competent Authority with regard to Anti Money Laundering Regulations, was that the inclusion of a clause in the Bye-laws as appropriate, outlining the requirement for Members to alert the Exchange of situations where the application of Enhanced Due Diligence Measures are deemed to be necessary would be sufficient to satisfy the Regulations. Bye-law 4.01.01 (Instructions from Clients) was, therefore, amended to reflect this guidance.

Bye-law 4.03.03 was also amended to reflect that in accordance with Chapter 7 (Clearing and Settlement) of the Bye-laws, once a trade is executed it cannot be cancelled, however, settlement and registration procedures could be discontinued. The new wording of the amended Bye-law reflects this position and also highlights the instances when settlement and registration procedures in relation to an executed deal may be discontinued.

In the context of the 2007 amendments to the Financial Markets Act, the Central Securities Depository was made responsible for authenticating registers of securities' holdings including any changes thereto. Bye-laws 5.03.01 and 5.03.02 dealing with holder detail amendments were, therefore, merged in order to reflect the amendments to the Law by ensuring that the Central Securities Depository would determine each request for amendments on its own merits.

Exchange Notice 1 – Fees & Other Charges

Amendments to Exchange Notice 1 – Fees & Other Charges were issued in June 2010.

Following guidance received from the VAT Department, an indication regarding the applicability of VAT to certain fees levied by the Exchange was added in the Exchange Notice as appropriate. Broadly, Admission and Trading fees were deemed to be vatable fees while register fees were deemed to be VAT exempt.

In line with the "Service Unbundling and Account Separation" requirements of the EU Code of Conduct on Clearing and Settlement to which the Exchange is a signatory, Transaction Charges were split to show the trading and clearing and settlement elements separately. There was no change in the overall transaction charge.

Also in line with the EU Code of Conduct on Clearing and Settlement waivers given in respect of Turnover Fees were indicated under the applicable sections of Exchange Notice 1.

Further amendments were made to Section 5 – Charges to Third Parties, outlining the different services provided to investors directly and the relevant fees applicable for such services.

In conjunction with the amendments to Exchange Notice 1, detailed guidance was also issued to Members and Listed Companies explaining the applicability of VAT with respect to certain fees.

Procedures and Guidance implementing the Provisions of the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFT)

The Exchange provided feedback in relation to a Consultation Document with regard to procedures and guidelines on PMLFT. The Exchange expressed its concerns with regard to the issue of reliance on other subject persons or third parties, which were felt to be unnecessarily stringent on both the market and the Central Securities Depository.

Compliance

The Exchange submitted the "Certificate of Compliance" in accordance with the Financial Market Rules applicable to Regulated Markets, at the end of January, covering the period August 2009 – January 2010 and at the end of July, covering the period February – July 2010. In both instances the Board confirmed the Exchange's compliance with all applicable legislation, rules and regulations, including relevant financial requirements.

Audit

Financial Audit

The Audited Financial Statements of the Exchange for the period ended 31 December 2009 were approved by the Shareholders during the Annual General Meeting of the Exchange held on 21 April 2010.

Later on in the same month the Audited Financial Statements were duly published and together with the Annual Report were submitted to the Competent Authority. Ernst & Young were re-confirmed as the Exchange's Auditors for 2010.

EU Code of Conduct on Clearing and Settlement

In accordance with the final phase of the EU Code of Conduct on Clearing and Settlement, the Board approved the Self-Assessment Report on Service Unbundling and Account Separation for 2009. This was reviewed by the Exchange's Auditors who prepared an "Independent Assurance Report on the Self-Assessment Report" which was submitted to the Competent Authority in terms of the Code of Conduct. In their Report, the Auditors confirmed the Exchange's compliance with the provisions of the Code of Conduct insofar as service unbundling and account separation is concerned.

Risk Management and Internal Capital Adequacy Assessment (RMICAAP)

The Exchange's Auditors presented their final report regarding the RMICAAP exercise for the approval of the Board in February 2010. The scope of the RMICAAP exercise was to identify and evaluate key business risks, the Exchange's level of tolerance to exposure to such risk, the probability of failure of its processes and also to evaluate the risk mitigation procedures in place and what further similar procedures needed to be put in place to counteract the identified risks.

In their final report, which included a detailed qualitative and quantitative evaluation of the risk profile of the Exchange, the Auditors confirmed that the Exchange had a very robust infrastructure and processes well-able to withstand failures and with satisfactory risk mitigation processes in place.

VISITORS TO THE EXCHANGE

Prime Minister's Visit

A highlight of the year was a dinner hosted by the Exchange at its premises in Valletta on 9 February 2010 under the patronage of the Hon Prime Minister, Dr L Gonzi. This bi-annual event has become firmly established in the Exchange's calendar of events and is eagerly awaited by all participants.

The dinner was attended by representatives of all the listed companies and the Treasury, the Minister of Finance, the Economy and Investment, the Shadow Minister of Finance, the Chairman of the Malta Financial Services Authority, the Governor of the Central Bank as well as other distinguished guests.

In a brief address, the Chairman of the Exchange referred to the performance of the market during 2009. In particular he spoke about the sharp rise in listings, the need for continual investor protection and the role that the Exchange plays in the economy. The Prime Minister also gave a brief address wherein he highlighted the Government's plans for the financial services sector and in particular the role of the Exchange in the expansion of financial services in Malta.

Official Visit by the Minister of Finance, the Economy and Investment

The Hon Minister of Finance, the Economy and Investment, Mr T Fenech, paid an Official Visit to the Exchange on 21 April 2010. During this visit the Minister had the opportunity to meet with the Board of Directors and with all the staff members of the Exchange. He toured all the different offices of the Exchange when staff members briefly explained the different functions and responsibilities of their offices.

Prior to his tour of the Exchange, the Minister held a Press Conference when he spoke about the Exchange's performance

during the previous year, planned developments and its strategy for the future.

Memorandum of Understanding

A Memorandum of Understanding was signed between the Malta Stock Exchange and the Cyprus Stock Exchange on 24 February 2010 at the Exchange's premises in Valletta. The Memorandum of Understanding was signed by the two Chairmen, Dr Arthur Galea Salomone on behalf of the Malta Stock Exchange and Mr Giorgios Koufaris on behalf of the Cyprus Stock Exchange, in the presence of senior officials of both Exchanges. In brief addresses, both Chairmen said that the Memorandum of Understanding sought to strengthen the ties that already exist between the two Exchanges and that it was a very solid basis for the further development of mutually beneficial business opportunities.

Visit by Clearstream Banking

In June the Exchange welcomed a delegation from Clearstream Banking, Luxembourg when a Project Plan for the development and implementation of a Clearstream/ Malta Stock Exchange link was agreed upon. This link would facilitate the cross-border settlement of Maltese listed securities. At the end of the visit, a joint Press Release was issued outlining the planned collaboration between the two organizations.

INTERNATIONAL RELATIONS

As reported in previous Annual Reports, the Exchange is a very active member of a number of industry standard-setting organizations, namely :

FESE	Federation of European Securities Exchanges
WFE	World Federation of Exchanges
ECSDA	European Central Securities Depositories Association
ANNA	Association of National Numbering Agencies
IOSCO	International Organisation of Securities Commission Organisation
ECMI	European Capital Market Institute
ECGI	European Corporate Governance Institute

As in previous years, Exchange officials participated in a number of the regular meetings of these organizations held during the year in particular those organized by FESE, ECSDA and ANNA.

Following approval by its Board, some changes were made in the internal structure of FESE ensuing also from the changes in the regulatory structure at EU level. All the Task Forces set up under the Management Committee were amalgamated into three committees – fixed income, equity and cross-sectorial. The Exchange is represented on both the equity and fixed-income committees as well as on the Management Committee.

2010 was a particularly active year for all these organizations, in particular FESE and ECSDA given the amount of new EU Directives passing through a very intensive consultation and discussion stage, including the review of MIFID, EMIR, CSD legislation and Securities legislation as well as other topics such as the consolidated tape ticker and transparency issues. The Exchange was very active in participating in the relevant discussions and also gave feedback either directly or through concerted feedback by the international organisations of which it is a member, as appropriate.

The Exchange also actively participated in meetings relating to the Target 2- Securities Project and is represented on various committees including the Advisory Group.

In July, Ms Eileen V Muscat, Chief Executive, was appointed on ESMA's Post-Trading Standing Committee (PTSC). The PTSC has the responsibility at ESMA for all issues related to post-trading.

Exchange Operations
and Other Activities

Exchange Operations and Other Activities

THE MARKET

The turnover value registered on the market during the year amounted to just under €515 million, a decrease of €39 million, or 7% when compared with the previous year. The decrease in total turnover value was due only to a significant decrease in trading in the Treasury Bill sector of the market. All other sectors of the market, particularly trading in equities, rallied considerably following the trading dips registered the previous year. The daily average turnover value amounted to just over €2 million.

Trading in the equity market totaled €36.2 million, a sharp increase of 42% when compared to the previous yeare. There was also a significant increase in the number of shares changing hands, up from 13,610,489 in 2009 to 19,566,963 in 2010, spread over 8,767 deals, also up from 6,790 equity deals registered during 2009. Trading in the shares of the two largest listed banks dominated the equity market. Annual turnover in these shares amounted to over €20 million, that is 55% of the total turnover registered in the equity market during 2010.

Comparing year-to-year figures, turnover in the corporate bond market increased by 35% from just under €34 million in 2009 to over €46 million in 2010. Trading in these securities was boosted by the admission of fifteen (15) new corporate bond issues to the market which continued the positive upswing in this market registered during the previous two years. Turnover in the newly listed bonds amounted to a value of €12.2 million, equivalent to 26% of total turnover registered in the corporate bond market during the year.

Trading in Government Stocks rose by just over €21 million during 2010 when compared to the previous year's turnover value for this sector of the market. The turnover value in the Government Stock market reached a total of over €278 million. Trading was concentrated overall in the shorter-term bonds mainly the 7% MGS 2015 (III) and the 5.1% MGS 2014 (III). However, there was also a significant amount of trading in the longer-terms bonds, namely the 5% MGS 2021, 5.25% MGS 2030 and the 5.25% MGS 2030 (FI). Trading turnover in these three (3) stocks amounted to 35% of the turnover registered in this sector of the market.

Conversely to all other sectors of the market, the turnover value resulting from trading in Treasury Bills decreased significantly in 2010 when compared to that of 2009, from just under €236 million transacted during 2009 to just under €154 million transacted during the year under review, equivalent to a 35% decrease.

The total number of trades concluded throughout 2010 was 19,617 across all sectors of the market, an increase of 6,099 deals over the 2009 total of 13,518. Comparing year-to-year figures, the largest increase in the number of concluded trades was in the Government Stock market where the total number of deals effected during 2010 was 6,110, an increase of 3,607 over the previous year. Significant increases in the number of trades concluded were also registered in the corporate bond and equity sectors of the market, reflecting also the year-to-year increase in the trading turnover. Trades in these sectors of the market increased by 1,144 and 1,955 respectively. Deals concluded in the Treasury Bill market on the other hand decreased to 102, also reflecting the considerable decrease in turnover in this sector registered during 2010 when compared to 2009.

THE MALTA STOCK EXCHANGE SHARE INDEX

The increase in equity prices that was registered during the year was reflected in the value of the Malta Stock Exchange Share Index (the Index) which continued the positive trend of the previous two years. After reaching a yearly high of 3956.286 on 20 January the Index declined to a minimum yearly value of 3341.077. The Index started to recover mid-year and continued its upward swing to the end of the year. The Index ended the year at a value of 3781.23, up from

Comparative Trading Figures

Security	Number of Deals		Volume/No. of Shares		Market Turnover (EURO)	
	2009	2010	2009	2010	2009	2010
EQUITIES						
Bank of Valletta Plc Ord €1.00	2,503	3,058	2,622,068	3,385,374	7,407,753	11,679,992
HSBC Bank Malta Plc €0.30	1,827	2,025	2,485,306	2,673,951	6,579,587	8,445,236
Lombard Bank Plc Ord €0.25	200	206	814,311	314,778	2,087,574	891,963
Middlesea Insurance Plc Ord €0.60	212	537	555,559	1,236,306	796,723	1,099,722
Simonds Farsons Cisk Plc Ord €0.30	54	94	57,637	185,874	99,865	323,581
GO Plc Ord €0.582343	903	718	1,373,132	1,359,391	2,335,013	2,817,458
Int. Hotel Investments Plc Ord €1.00	184	405	552,794	2,128,184	459,846	1,768,873
Plaza Centres Plc Ord €0.465875	34	49	99,370	223,755	164,745	370,643
GlobalCapital Plc Ord €0.291172	31	54	19,046	58,887	23,047	74,187
FIMBank Plc Ord US$ 0.50	285	250	3,719,483	2,958,354	3,414,120	2,194,954
Malta Int. Airport Plc Ord €0.465875	237	613	294,373	1,258,542	672,215	2,466,650
Medserv plc Ordinary A Shares €0.232937	64	73	192,284	262,710	722,239	1,122,738
Grand Harbour Marina plc Ord €0.232937	-	39	-	147,202	-	285,197
6pm Holdings Plc Ord GBP0.20	18	14	45,300	39,166	29,391	20,145
Crimsonwing plc Ord €0.10	20	26	85,603	224,422	28,762	91,218
MaltaPost Plc Ord €0.25	157	448	493,170	2,683,900	343,317	2,168,290
RS2 Software Plc Ord €0.20	38	43	130,950	194,800	85,369	96,311
Loqus Holdings Plc Ord €0.232937	11	33	7,495	45,492	775	8,902
Island Hotels Group Holdings plc Ord €1.00	12	63	21,800	138,400	21,767	136,160
MIDI plc Ordinary Shares €0.20	-	-	-	-	-	-
Total Equity	**6,790**	**8,748**	**13,569,681**	**19,519,488**	**25,272,108.97**	**36,062,220.27**
CORP. BONDS						
6.7% Corinthia Finance plc 2009	30	-	158,560	-	158,534.91	-
6.15% BOV plc Sub 2010	78	7	1,539,451	577,481	1,554,143.68	578,943.82
5% IHI Con. 2010	3	-	8,154	-	8,060.81	-
6.75% UFC plc 2014-2016	92	144	782,000	1,232,600	782,939.98	1,251,651.35
8% BOV US$ 2010	118	290	1,711,500	5,958,000	1,299,159.38	4,750,581.04
6.7% Eden Finance plc 2010	37	17	283,185	698,611	283,372.07	699,069.03
6.5% Corinthia Finance plc 2010	37	-	581,800	-	581,925.30	-
6.75% Corinthia Fin plc 2012	74	29	355,002	158,378	357,163.19	161,140.64
6.7% Mizzi Organisation Fin plc 2009/12	32	3	144,288	23,367	144,967.68	23,367.00
6.7% Tumas Investment plc 2010/12	31	14	346,449	43,963	349,939.44	44,198.49
6.6% SFC plc 2010/12	53	6	475,533	76,777	481,144.58	77,935.53
6.5% CareMalta Finance plc 2008/11	1	-	5,824	-	5,824.00	-
6.3% IHI plc 2013	51	36	274,507	159,542	274,846.62	160,655.42
6.2%-6.8% IHI plc 2013	37	21	307,200	134,000	311,121.81	135,826.00
5.75% Mariner Finance plc 2008/10	61	-	833,900	-	833,056.50	-
6.4% Gasan Finance plc 2008/11	23	-	135,467	-	136,710.20	-
6% Gasan Finance plc 2014-2016	90	76	806,100	535,100	812,624.87	546,234.66
6% Dolmen Prop. plc Sec. 2010/13	54	27	126,802	64,308	126,880.77	64,573.06
3.8% EIB 2009	6	-	82,615	-	82,615.00	-
6.5% IHI plc 2012/14	45	27	370,900	220,800	372,515.97	221,806.48
5.6% GlobalCapital plc 2014/16	133	98	658,000	538,900	514,658.68	452,224.12
6.7% AX Investments plc 2014/16	43	109	146,655	443,368	146,270.25	446,428.95
4% AX Investments plc 2013	6	9	13,051	60,365	13,703.55	73,467.17
4.6% HSBC Bank Malta plc 2017	555	333	6,606,428	2,717,552	6,656,573.52	2,773,324.67
7.5 % Hotel San Antonio plc 2012	20	59	37,603	211,278	37,828.84	213,854.07
8% Bay Street Finance plc 2012	22	36	67,917	4,649,065	68,135.61	4,722,494.40
7% Big Bon Fin. plc Secured 2010/12	23	-	205,445	-	206,325.41	-
7% P G Finance plc Secured 2010/12	-	15	-	90,044	-	90,044.00
7% GAP Dev. Plc Sec 2011/13	238	260	2,081,700	3,612,286	1,879,544.63	3,448,046.32
7% PAVI Shop. Complex plc 2014/17	86	29	1,279,947	305,959	1,254,939.52	306,908.78
7.5% Mediterranean Inv. Holding plc 2012/14	51	52	262,729	362,594	265,000.60	370,337.08
7.5% Mediterranean Inv. Holding plc Bonds 2015	79	54	1,129,700	379,700	1,139,726.29	386,293.52
5.9% HSBC Bank Malta Plc Sub 2018	116	90	957,700	831,200	1,005,956.54	876,197.43
7% MIDI plc 2016-2018	238	176	2,213,200	1,872,900	2,243,695.58	1,932,503.44
7% MIDI plc GBP 2016-2018	70	40	776,300	540,300	908,665.66	672,247.66
7% FIMBank plc 2012-2019	151	104	1,305,600	729,100	1,329,095.09	757,000.42
7% FIMBank plc USD 2012-2019	64	40	570,000	258,300	417,131.70	203,865.70
5.35% BOV plc Sub Bds 2019	235	232	1,799,900	1,619,900	1,872,588.99	1,694,080.14
6.25% IHI plc Bds 2015-2019	254	190	3,983,400	1,271,700	3,996,375.34	1,290,111.98
6.25% Tum Inv plc Bds 2014 - 2016	41	90	318,700	439,400	322,979.44	447,739.23
6.25% Corinthia Finance plc Bonds 2016 - 2019	25	85	126,500	349,000	127,480.98	354,897.59
6.5% Island Hotels Group Holdings plc Bonds 2017-2019	53	50	385,000	242,300	389,636.56	249,517.74
7.15% Melita Capital plc Bonds 2014 - 2016	82	276	523,600	1,540,900	524,548.82	1,537,119.27
6.2% Mizzi Org. Fin. plc € 2016-2019	39	226	203,000	1,638,000	207,565.72	1,690,023.19
7% Grand Harbour Marina plc Bonds 2017- 2020	-	87	-	558,600	-	578,771.38
6.25% Corinthia Finance plc Bonds 2016-2019 (II)	-	11	-	34,900	-	35,330.00
6.25% Corinthia Finance plc Bonds 2016-2019 (II)	-	422	-	3,714,000	-	3,796,075.99
6.8% Premier Capital p.l.c. Bonds 2017 - 2020	-	150	-	984,500	-	1,014,409.36
6.25% International Hotel Investments plc Bonds 2017-2020	-	60	-	344,100	-	351,440.65
6.6% Eden Finance plc 2017-2020	-	54	-	1,472,300	-	1,474,907.60
6% Simonds Farsons Cisk plc 2017 - 2020	-	106	-	227,300	-	233,406.55
6.2% Tumas Investments p.l.c. Bonds 2017 - 2020	-	80	-	418,400	-	431,759.40
7.15% Mediterranean Inv Holding p.l.c. EUR Bonds 2015 - 2017	-	113	-	1,100,500	-	1,134,294.61
7.15% Mediterranean Inv. Holding p.l.c. GBP Bonds 2015 - 2017	-	9	-	92,700	-	116,448.68
7.15% Mediterranean Inv. Holding p.l.c. USD Bonds 2015 - 2017	-	14	-	169,400	-	135,425.21
5.35% Izola Bank plc Secured Notes 2015	-	62	-	1,027,000	-	1,035,285.60
6.25% Mediterranean Bank plc Bonds 2015	-	65	-	1,605,800	-	1,617,637.80
4.25% FIMbank plc EUR Bonds 2013	-	32	-	269,500	-	271,058.90
4.25% FIMBank plc USD Bonds 2013	-	23	-	156,100	-	118,418.07
	3,494	**4,638**	**34,393,401**	**46,762,138**	**33,895,965**	**46,049,379**
Close Ended Collective Investment Scheme						
San Tumas Shareholdings plc	21	19	40,808	47,475	125,158.35	122,523.15
Total Close Ended Collective Investment Scheme	**21**	**19**	**40,808**	**47,475**	**125,158.35**	**122,523**
Malta Government Stocks						
Total MGSs	**2,503**	**6,110**	**241,858,903**	**258,310,070**	**257,606,472**	**278,724,632**
Treasury Bills						
Total T.Bills	**627**	**102**	**235,877,000**	**153,941,000**	**235,615,622**	**153,862,239**
Total all Securities	**13,518**	**19,617**	**-**	**-**	**553,105,335**	**514,820,994**

MGS Movements 2010

Security Name	Date of Issue	Amount Issued (EURO)	Coupon	Dates of Interest	Traded Value (EURO)	Deals	Last Closing Price
5.9% MGS 2010	28-Dec-99	34,940,686	5.90%	19-May - 19-Nov	334,280	8	100.67
5.75% MGS 2010 (II)	06-Jul-00	43,093,606	5.75%	10-Jun - 10-Dec	30,618	4	100.31
7% MGS 2010 (III)	26-Sep-00	1,269,276	7.00%	30-Jun - 30-Dec	-	-	-
5.4% MGS 2010 (IV)	03-Mar-03	111,811,178	5.40%	21-Feb - 21-Aug	3,066,523	7	100.21
7.5% MGS 2011	23-Oct-96	34,941,055	7.50%	28-Mar - 28-Sep	1,136,247	58	104.80
6.25% MGS 2011 (II)	10-Aug-01	93,176,269	6.25%	01-Feb - 01-Aug	4,706,487	108	100.48
7% MGS 2011 (III)	24-Jan-02	291,172	7.00%	30-Jun - 30-Dec	-	-	-
7.8% MGS 2012	11-Jun-97	80,364,319	7.80%	24-May - 24-Nov	11,215,732	70	108.50
7% MGS 2012 (II)	26-Jul-02	410,436	7.00%	30-Jun - 30-Dec	-	-	-
5.7% MGS 2012 (III)	07-Oct-02	428,885,703	5.70%	30-Mar - 30-Sep	7,985,333	261	106.41
7.8% MGS 2013	12-Nov-97	79,781,860	7.80%	18-Apr - 18-Oct	12,564,584	68	114.71
6.35% MGS 2013 (II)	05-Dec-01	60,565,893	6.35%	19-May - 19-Nov	7,310,170	205	109.76
7% MGS 2013 (III)	12-Sep-03	155,370	7.00%	30-Jun - 30-Dec	-	-	-
3.6% MGS 2013 (IV)	03-Apr-09	261,518,900	3.60%	28-Mar - 27-Sep	8,656,296	305	103.33
3.6% MGS 2013 (IV) FI Nov 09	19-Nov-09	25,495,900	3.60%	18-Apr - 18-Oct	153,211	4	103.49
Floating Rate 6 Mth Eur MGS 2013 (V)	03-Mar-10	7,250,000	-	24-Feb - 24-Aug	-	-	-
Floating Rate 6 Mth Eur MGS 2013 (VI)	18-Aug-10	30,000,000	-	11-Feb - 11-Aug	-	-	-
6.6% MGS 2014	16-Oct-00	24,459,140	6.60%	30-Mar - 30-Sep	1,044,962	51	112.59
6.45% MGS 2014(II)	08-Jun-01	69,882,324	6.45%	24-May - 24-Nov	1,888,005	109	113.49
5.1% MGS 2014 (III)	21-Jul-03	388,915,541	5.10%	06-Jan - 06-Jul	27,069,215	428	108.33
7% MGS 2014 (IV)	06-Aug-04	4,003,727	7.00%	30-Jun - 30-Dec	-	-	-
6.1% MGS 2015 (I)	06-Jul-00	69,882,174	6.10%	10-Jun - 10-Dec	7,682,837	80	113.26
5.9% MGS 2015 (II)	04-Jul-07	116,518,196	5.90%	09-Apr - 09-Oct	22,783,323	188	111.89
7% MGS 2015 (III)	08-Jul-05	678,780	7.00%	30-Jun - 30-Dec	-	-	-
7% MGS 2015 (IV)	30-Nov-05	804,571	7.00%	03-May - 03-Nov	-	-	123.25
3.75% MGS 2015 (VI)	03-Mar-10	67,215,700	3.75%	03-Jun - 03-Dec	2,075,677	62	102.63
3.75% MGS 2015 (VI) FI May 10	04-Jun-10	18,111,800	3.75%	03-Jun - 03-Dec	623,887	10	103.00
3.75% MGS 2015 (VI) FI Aug 10	18-Aug-10	40,115,000	3.75%	03-Jun - 03-Dec	2,253,288	22	103.68
3.75% MGS 2015 (VI) FI Nov 10	29-Nov-10	6,102,600	3.75%	03-Jun - 03-Dec	-	-	-
Floating Rate 6 Mth Eur MGS 2015 (V)	19-Nov-09	29,800,000	-	25-Apr - 25-Oct	174,755	1	99.86
6.65% MGS 2016	16-Apr-01	69,883,069	6.65%	28-Mar - 28-Sep	923,592	97	115.94
4.8% MGS 2016 (II)	02-Dec-03	186,351,758	4.80%	26-May - 26-Nov	12,887,275	302	106.49
7% MGS 2016 (III)	30-Jun-06	3,390,636	7.00%	30-Jun - 30-Dec	-	-	-
7% MGS 2017	19-Feb-07	668,998	7.00%	18-Feb - 18-Aug	-	-	-
7% MGS 2017 (II)	28-Jun-07	10,338,691	7.00%	13-Jun - 30-Dec	-	-	-
7.8% MGS 2018	03-Aug-98	163,057,021	7.80%	15-Jan - 15-Jul	2,451,886	64	124.28
7% MGS 2018 (II)	17-Apr-08	326,700	7.00%	18-Apr - 18-Oct	-	-	-
7% MGS 2018 (III)	27-Jun-08	6,542,600	7.00%	30-Jun - 30-Dec	-	-	-
6.6% MGS 2019	20-Sep-99	102,493,253	6.60%	01-Mar - 01-Sep	3,190,108	53	116.66
7% MGS 2019 (II)	26-Jun-09	13,670,000	7.00%	30-Jun - 30-Dec	-	-	-
5.2% MGS 2020	04-Jul-07	52,407,462	5.20%	10-Jun - 10-Dec	2,476,909	142	106.32
4.6% MGS 2020 (II)	19-Nov-09	44,704,100	4.60%	25-Apr - 25-Oct	16,660,388	510	101.57
4.6% MGS 2020 (II) FI Feb 10	03-Mar-10	75,325,500	4.60%	25-Apr - 25-Oct	2,206,150	70	102.98
4.6% MGS 2020 (II) FI May 10	04-Jun-10	38,297,600	4.60%	25-Apr - 25-Oct	3,531,889	43	106.31
7% MGS 2020 (III)	01-Jul-10	430,700	4.60%	30-Jun - 30-Dec	-	-	-
5% MGS 2021	03-Jun-04	425,694,253	5.00%	08-Feb - 08-Aug	31,905,184	1,052	104.38
5% MGS 2021 FI Aug 09	21-Aug-09	33,150,400	5.00%	08-Feb - 08-Aug	190,448	7	103.37
5.1% MGS 2022	24-Aug-04	71,047,725	5.10%	16-Feb - 16-Aug	3,542,760	249	105.22
5.5% MGS 2023	21-Jul-03	78,811,283	5.50%	06-Jan - 06-Jul	8,269,395	114	108.87
5.25% MGS 2030	04-Jun-10	93,726,600	5.25%	23-Jun - 23-Dec	27,691,392	594	102.98
5.25% MGS 2030 FI Aug 10	18-Aug-10	109,129,800	5.25%	23-Jun - 23-Dec	38,773,134	675	102.51
5.25% MGS 2030 FI Nov 10	29-Nov-10	92,682,200	5.25%	23-Jun - 23-Dec	1,268,692	89	102.90

MSE Index for 2010

Market Capitalisation as at 31 Dec 2010

Isin	Security	No of Shares	Close Price	Capitalisation in Euro
Equity				
MT0000020116	BOV Ord Shares	200,000,000	3.858	771,600,000
MT0000030107	HSBC Ord Shares	291,840,000	3.255	949,939,200
MT0000040106	LOM Bank Ord Shares	36,092,692	2.800	101,059,538
MT0000050105	MSI Shares	92,000,000	1.015	93,380,000
MT0000070103	SFC Ord Shares	30,000,000	1.700	51,000,000
MT0000090101	GO Ord Shares	101,310,488	1.935	196,035,794
MT0000110107	IHI Ord Shares	554,989,911	0.945	524,465,466
MT0000120106	PZC Ord Shares	9,414,000	1.690	15,909,660
MT0000150103	LQS Ord Shares	31,899,000	0.200	6,379,800
MT0000170101	GC P.l.c. Ord Shares	13,207,548	1.500	19,811,322
MT0000180100	FIMB Plc Ord Shares	135,952,634	0.950	98,321,409
MT0000250101	MIA Plc Ord A Shares	81,179,990	1.660	134,758,783
MT0000290107	STUM Share.Hldgs PLC	1,665,176	2.567	4,274,507
MT0000310103	MDS Ord Shares	10,000,000	4.250	42,500,000
MT0000320102	GHM Ord Shares	10,000,000	1.980	19,800,000
MT0000350109	6pm Holdings plc Ord Shares	7,500,000	0.530	4,655,111
MT0000380106	Crimsonwing p.l.c. Ord Shares	26,000,000	0.380	9,880,000
MT0000390105	MaltaPost p.l.c. Ordinary Shares	30,570,490	1.000	30,570,490
MT0000400102	RS2 Software plc Ord Shares	37,500,000	0.480	18,000,000
MT0000420126	MIDI plc Ordinary Shares	214,159,922	0.450	96,371,965
MT0000480104	IHGH plc Ordinary Shares	35,269,200	0.950	33,505,740
Total				**3,222,218,785**
Bonds				
MT0000021262	5.35% BOV plc Sub Bds 2019	50,000,000	103.500	51,750,000
MT0000021270	4.8% BOV Sub Bds 2020	70,000,000	103.000	72,100,000
MT0000031220	4.6% HSBC € 2017	58,234,390	103.000	59,981,422
MT0000031238	5.9% HSBC Bank Malta plc Sub Bds 2018	30,000,000	105.500	31,650,000
MT0000061243	6% GFC plc Bds 2014-2016	20,000,000	101.970	20,394,000
MT0000071226	6% SFC p.l.c. Bonds 2017 - 2020	15,000,000	103.500	15,525,000
MT0000073412	5.6% G.C. P.l.c. € Bonds 2014/16	17,000,000	85.000	14,450,000
MT0000081217	6.7% AXI Bonds 2014/16	11,647,819	101.000	11,764,297
MT0000081225	4% AXI Bonds 2013	2,161,721	124.000	2,680,534
MT0000101213	6.75% CFC Bonds 2012	14,644,885	101.000	14,791,334
MT0000101239	6.25% CFC plc Bonds 2016 - 2019	40,000,000	103.000	41,200,000
MT0000111220	6.3% IHI Plc Bonds 2013	14,018,268	102.000	14,298,633
MT0000111238	6.2%-6.8% IHI Plc € Bonds 2013	8,058,000	101.500	8,178,870
MT0000111246	6.5% IHI Plc € Bonds 2012/14	12,500,000	103.000	12,875,000
MT0000111253	6.25% IHI plc Bds 2015-2019	35,000,000	103.250	36,137,500
MT0000111261	6.25% IHI plc Bonds 2017-2020	25,000,000	104.000	26,000,000
MT0000131210	6.75% UFC plc Bds € 2014-2016	12,000,000	102.250	12,270,000
MT0000141219	6.6% EDF p.l.c. Bonds 2017-2020	15,000,000	104.000	15,600,000
MT0000181215	7% FIM plc EUR Sub Bds 2012-2019	23,579,500	103.500	24,404,783
MT0000181223	7% FIM plc USD Sub Bds 2012-2019	8,107,800	105.000	6,480,808
MT0000181231	4.25% FIM plc Eur Bonds 2013	19,263,600	102.000	19,648,872
MT0000181249	4.25% FIMBank plc USD Bonds 2013	18,047,700	101.500	13,945,200
MT0000201203	7.5% HSA Bonds 2012	5,823,925	102.500	5,969,523
MT0000211210	6.2% MOF plc Bonds 2016-2019	30,000,000	104.010	31,203,000
MT0000221201	8% BSF Bonds 2012	2,785,892	102.000	2,841,610
MT0000231226	6.25% Tum Inv plc Bds 2014 - 2016	25,000,000	103.000	25,750,000
MT0000231234	6.2% TIP p.l.c. Bonds 2017 - 2020	25,000,000	103.510	25,877,500
MT0000281205	6% DPP 2010/13	5,474,394	100.750	5,515,452
MT0000321217	7% GHM plc Bonds 2017-2020	12,000,000	105.000	12,600,000
MT0000331216	7% GAP Plc Euro Sec Bds 2011/13	34,941,085	98.000	34,242,263
MT0000361205	7% PAVI plc Sec Bds 2014/17	10,866,814	101.500	11,029,816
MT0000371212	7.5% MIH plc Euro Bonds 2012-2014	15,000,689	104.000	15,600,717
MT0000371220	7.5% MIH plc Bds 2015	20,000,000	102.990	20,598,000
MT0000371238	7.15% MIH p.l.c. € Bonds 2015 - 2017	28,767,200	103.000	29,630,216
MT0000371246	7.15% MIH p.l.c. GBP Bonds 2015 - 2017	4,385,900	106.000	5,444,495
MT0000371253	7.15% MIH p.l.c. USD Bonds 2015 - 2017	7,216,500	105.000	5,768,366
MT0000421207	7% MIDI p.l.c. € Bnds 2016 - 2018	31,702,900	103.000	32,653,987
MT0000421215	7% MIDI p.l.c. £ Bnds 2016 - 2018	7,214,300	106.000	8,955,566
MT0000471202	7.15% MLT plc Bonds 2014-2016	25,878,300	100.150	25,917,117
MT0000481219	6.5% IHGH plc Bonds 2017-2019	14,000,000	103.500	14,490,000
MT0000511205	6.8% PRC plc Bds 2017-2020	25,000,000	104.250	26,062,500
MT0000531203	5.35% Izola Bank plc Secured Notes 2015	9,000,000	101.250	9,112,500
MT0000551201	6.25% Med Bank plc Bonds 2015	15,000,000	102.500	15,375,000
Total				**890,763,882**

Market Capitalisation as at 31 Dec 2010 continued

Isin	Security	No of Shares	Close Price	Capitalisation in Euro
Malta Government Stocks				
MT0000010711	7.5% MGS 2011	34,941,055	104.800	36,618,226
MT0000010745	7.8% MGS 2012	80,364,319	108.500	87,195,286
MT0000010786	7.8% MGS 2013	79,781,860	114.710	91,517,772
MT0000010828	7.8% MGS 2018	163,057,021	124.280	202,647,266
MT0000010901	6.6% MGS 2019	102,493,253	116.660	119,568,629
MT0000010943	6.1% MGS 2015 (I)	69,882,174	113.260	79,148,550
MT0000010976	6.6% MGS 2014	24,459,140	112.590	27,538,546
MT0000010984	6.65% MGS 2016	69,883,069	115.940	81,022,430
MT0000010992	6.45% MGS 2014(II)	69,882,324	113.490	79,309,450
MT0000011008	6.25% MGS 2011 (II)	93,176,269	100.480	93,623,515
MT0000011016	6.35% MGS 2013 (II)	60,565,893	109.760	66,477,124
MT0000011032	7% MGS 2011 (III)	291,172	100.000	291,172
MT0000011040	5.9% MGS 2015 (II)	116,518,196	111.890	130,372,209
MT0000011065	7% MGS 2012 (II)	410,436	100.000	410,436
MT0000011081	5.7% MGS 2012 (III)	428,885,703	106.410	456,377,277
MT0000011115	5.1% MGS 2014 (III)	388,915,541	108.330	421,312,206
MT0000011123	5.5% MGS 2023	78,811,283	108.870	85,801,844
MT0000011131	7% MGS 2013 (III)	155,370	100.000	155,370
MT0000011149	4.8% MGS 2016 (II)	186,351,758	106.490	198,445,987
MT0000011164	5% MGS 2021	458,844,653	104.380	478,942,049
MT0000011172	5.1% MGS 2022	71,047,725	105.220	74,756,416
MT0000011206	7% MGS 2014 (IV)	4,003,727	100.000	4,003,727
MT0000011271	7% MGS 2015 (III)	678,780	100.000	678,780
MT0000011305	7% MGS 2015 (IV)	804,571	123.250	991,634
MT0000011321	7% MGS 2016 (III)	3,390,636	100.000	3,390,636
MT0000011347	7% MGS 2017	668,998	100.000	668,998
MT0000011370	5.2% MGS 2020	52,407,462	106.320	55,719,614
MT0000011404	7% MGS 2017 (II)	10,338,691	100.000	10,338,691
MT0000011438	7% MGS 2018 (II)	326,700	100.000	326,700
MT0000011461	7% MGS 2018 (III)	6,542,600	100.000	6,542,600
MT0000011511	3.6% MGS 2013 (IV)	287,014,800	103.330	296,572,393
MT0000011545	7% MGS 2019 (II)	13,670,000	100.000	13,670,000
MT0000011602	4.6% MGS 2020 (II)	158,327,200	101.570	160,812,937
MT0000011610	3.75% MGS 2015 (VI)	125,442,500	102.630	128,741,638
MT0000011651	5.25% MGS 2030	295,538,600	102.980	304,345,650
MT0000011669	7% MGS 2020 (III)	430,700	100.000	430,700
MT0000011693	3.75% MGS 2015 (VI) FI Nov 10	6,102,600	100.000	6,102,600
MT1000010008	Floating Rate 6 Mth Eur MGS 2015 (V)	29,800,000	99.860	29,758,280
MT1000010016	Floating Rate 6 Mth Eur MGS 2013 (V)	7,250,000	100.000	7,250,000
MT1000010024	Floating Rate 6 Mth Eur MGS 2013 (VI)	30,000,000	100.000	30,000,000
Total				**3,871,877,336**

Isin	Security	No of Shares	Close Price	Capitalisation in Euro
Treasury Bills				
MT3100011308	91 DTB 22.10.10 - 21.01.11	15,755,000	99.782	15,720,575
MT3100011316	91 DTB 19.11.10 - 18.02.11	4,000,000	100.000	4,000,000
MT3100011324	91 DTB 26.11.10 - 25.02.11	5,000,000	100.000	5,000,000
MT3100011340	91 DTB 10.12.10 - 11.03.11	19,575,000	100.000	19,575,000
MT3100011357	91 DTB 17.12.10 - 18.03.11	4,500,000	100.000	4,500,000
MT3200010689	182 DTB 09.07.10 - 07.01.1	24,600,000	99.977	24,594,440
MT3200010697	182 DTB 16.07.10 - 14.01.11	26,050,000	100.000	26,050,000
MT3200010705	182 DTB 06.08.10 - 04.02.11	35,000,000	100.000	35,000,000
MT3200010713	182 DTB 08.10.10 - 08.04.1	27,050,000	100.000	27,050,000
MT3200010721	182 DTB 05.11.10 - 06.05.1	39,800,000	100.000	39,800,000
MT3200010739	182 DTB 03.12.10 - 03.06.11	3,025,000	100.000	3,025,000
MT3200010747	182 DTB 17.12.10 - 17.06.11	6,380,000	100.000	6,380,000
MT3300010316	273 DTB 14.05.10 - 11.02.11	50,000,000	100.000	50,000,000
MT3300010324	273 DTB 04.06.2010 - 04.03	19,850,000	100.000	19,850,000
MT3300010332	273 DTB 25.06.10 - 25.03.11	17,500,000	100.000	17,500,000
MT3300010340	273 DTB 02.07.10 - 01.04.11	22,950,000	99.547	22,845,922
MT3300010357	273 DTB 16.07.10 - 15.04.11	41,000,000	100.000	41,000,000
MT3300010365	273 DTB 13.08.10 - 13.05.11	5,100,000	100.000	5,100,000
MT3300010373	273 DTB 15.10.10 - 15.07.1	4,000,000	100.000	4,000,000
MT3300010381	273 DTB 12.11.10 - 12.08.11	6,625,000	100.000	6,625,000
Total				**377,615,937**
Grand Total				**8,362,475,940**

the end of 2009 value of 3460.25, that is a year-to-year increase of 9.3%.

As announced in 2009, as from 17 September 2010 the Malta Stock Exchange Share Index has been included in the FTSE Global Equity Index Series – Frontier Status.

MARKET CAPITALISATION

At the end of 2010 the total market capitalization stood at a value of almost €8.4 billion, an increase of €0.9 billion when compared to the market capitalization value at the end of 2009.

The market capitalization value increased across all sectors of the market, except the Treasury Bill sector. The increase in market capitalization value was due to the increase in equity prices as well as to the numerous new listings of corporate bonds and Government Stocks that took place over the year. At the same time a decreased issuance of Treasury Bills in 2010 when compared to 2009 pushed down the market capitalization value of this market sector.

Comparing year-to-year values, the market capitalization of the equity market increased by 14% from €2.8 billion to €3.2 billion while that of the corporate bond sector increased by 18% from €0.76 billion to €0.9 billion. The market capitalization of the Government Stock market reached a value of almost €3.9 billion at the end of 2010, an increase of almost €0.4 billion, or 11%, when compared to the end 2009 value. The market capitalization value of Treasury Bills registered a year-to-year decrease from €473 million at the end of 2009, to just under €378 million at the end of 2009.

Holders of MSE Listed Securities by Market Capitalisation as at 31 Dec 2010

	Financial Entities		Non-Financial Entities		Government		Individuals	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
Equities	8.78%	29.08%	22.47%	7.15%	7.55%	0.00%	23.65%	1.32%
Corp. Bonds	14.95%	0.87%	4.09%	0.24%	0.01%	0.00%	79.01%	0.83%
MGS	64.47%	2.41%	4.89%	0.00%	0.22%	0.00%	27.82%	0.20%
T.Bills	99.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.00%

Collective Investment Funds Investing in MSE Listed Securities

ISIN Code	Fund	Net Asset Value in EURO Dec-09	Net Asset Value in EURO Dec-10
MT0000072034	La Valette Funds Sicav plc - Malta Fund	32,049,946	32,898,996
MT0000072067	La Valette Funds Sicav plc - Malta Bond Fund	68,795,855	77,016,991
MT0000072075	Vilhena Funds Sicav plc - Malta Fund	20,503,298	21,983,866
MT0000072125	Vilhena Funds Sicav plc - Malta Government Bond Fund	92,891,203	105,662,446
MT0000072257	Global Funds Sicav plc - Malta Privatisation and Equity Fund	4,176,138	4,100,019
MT0000072260	Wignacourt Funds Sicav plc - Malta Fund	17,478,879	18,543,873
MT0000072273	Amalgamated Funds Sicav plc - Growth and Income Fund	52,200,763	55,942,406
MT0000072042	HSBC Malta Funds Sicav plc - Malta Bond Fund	109,278,083	107,337,188
MT0000072166	HSBC No-Load Funds Sicav plc - Malta Government Bond Fund	126,675,992	119,997,182
MT0000072174	HSBC No-Load Funds Sicav plc - Maltese Assets Fund	54,224,817	55,873,861

NET ASSET VALUE

The total Net Asset Value of Collective Investment Schemes which are listed on the Exchange and which invest in locally listed financial instruments amounted to just under €600 million at the end of 2010 up from €580 million registered at the end of the previous year.

The largest year-to-year increase in the Net Asset Value was registered in the Vilhena Funds SICAV plc – Malta Government Bond Fund which rose from €93 million to almost €106 million.

ADMISSION

For the third consecutive year, 2010 was dominated by the large number of new admissions to the Exchange's recognized lists. The new admissions included one (1) equity issued towards the end of the year, fifteen (15) corporate bonds and twelve (12) Government Stock issues, as well as seventy four (74) issues of Treasury Bills. The total issued value in relation to this new admissions, excluding Treasury Bills, totaled just over €904 million, €100 million higher than the issuance value of the previous year.

Corporate Bonds remained the preferred vehicle for many Issuers. Fifteen (15) new Corporate Bonds were issued during 2010, predominantly denominated in Euro but also including two issues denominated in US Dollars and one issue in Sterling. The total issuance value of Corporate Bonds for 2010 was just under €298 million, spread over fifteen (15) bonds issued by ten (10) different Issuers.

Apart from these new issues a further four (4) bonds, totaling almost €32 million were rolled-over during the year.

Another two Corporate Bonds, namely the 7.5% Mediterranean Investment Holding plc Euro Bond 2012-2014 and the 7.5% Mediterranean Investment Holding plc 2015 amounting to a nominal value of over €35 million, migrated from the Alternate Companies List to the Official List following the relevant regulatory approval.

A new equity was admitted to the Official List towards the end of the year with an issue value of over €30 million, thereby raising the number of equities admitted to the Exchange's recognized lists to 20. Apart from this new issue, a number of other shares were admitted during 2010 subsequent to various corporate actions effected by listed companies throughout the year.

Twelve (12) Government Stock issues were admitted to the Official List during the year, amounting to an issue value of over €576 million. The new Government Stocks issues included two (2) Floating Rate issues.

A further seventy four (74) Treasury Bill issues were admitted to trading during 2010, amounting to an issuance value of over €1.3 billion.

ADMISSIONS DURING 2010

Equities

40,000,000	Bank of Valletta plc Ord Shares of €1 nominal (*Bonus Issue*)
1,440,695	Maltapost plc Ord Shares of €0.25 nominal (*Scrip Dividend Issue*)
479,111	Lombard Bank plc Ord Shares of €0.25 nominal (*Scrip Dividend Issue*)
488,240	Fimbank plc Ord Shares of US$0.50 nominal (*Scrip Dividend Issue*)
37,440	Fimbank plc Ord Shares of US$0.50 nominal (*Executive Share Option Scheme*)
40,589,995	Malta International Airport plc Ord Shares of €0.25 Nominal (*Share split*)
1,764,268	International Hotel Investments plc Ord Shares of €1 nominal (*Bonus Issue*)
214,159,922	MIDI plc Ord Shares of €0.20 nominal

Corporate Bonds

€12,000,000	7% Grand Harbour Marina plc Bonds 2017-2020
€15,000,000	6.25% Corinthia Finance plc Bonds 2016-2020
€70,000,000	4.8% Bank of Valletta plc Subordinated Bonds 2020
€25,000,000	6.8% Premier Capital plc Bonds 2017-2020
€25,000,000	6.25% International Hotel Investments plc Bonds 2017-2020
€15,000,000	6.6% Eden Finance plc Bonds 2017-2020
€15,000,000	6% Simonds Farsons Cisk plc Bonds 2017-2020
€9,000,000	5.35% Izola Bank plc Secured Notes 2015
€25,000,000	6.2% Tumas Investments plc Bonds 2017-2020
€28,767,200	7.15% Mediterranean Investments Holding plc Euro Bonds 2015-2017
GBP 4,385,900	7.15% Mediterranean Investments Holding plc GPB Bonds 2015-2017
US$7,216,500	7.15% Mediterranean Investments Holding plc US$ Bonds 2015-2017
€15,000,000	6.25% Mediterranean Bank plc Bonds 2015
€19,263,600	4.25% Fimbank plc Euro Bonds 2013
US$18,047,700	4.25% Fimbank plc US$ Bonds 2013

Government Stocks

€67,215,700	5.75% MGS 2015 (VI)
€75,325,500	4.6% MGS 2020 (II) FI Feb 10
€7,250,000	Floating Rate 6 month Euribor MGS 2013 (V)
€18,111,800	3.75% MGS 2015 (VI) FI May 10
€38,297,600	4.6% MGS 2020 (II) FI May 10
€93,726,600	5.25% MGS 2030
€430,700	7% MGS 2020 (III)
€40,115,000	3.75% MGS 2015 (VI) FI Aug 10
€109,129,800	5.25% MGS 2030 FI Aug 10
€30,000,000	Floating Rate 6 month Euribor MGS 2013 (VI)
€6,102,600	3.75% MGS 2015 (VI) FI Nov 10
€92,682,200	5.25% MGS 2030 FI Nov 10

ADMISSIONS DURING 2010 continued

Treasury Bills

74	Treasury Bill issues

Collective Investment Schemes

Primary Listing

1 Sub-fund	RohFund Income Fund
1 Sub-fund	RohFund Growth Fund
6 Sub-funds	Fidelity Funds SICAV
	Timeless Precious Metal Fund
1 Sub-Fund	Timeless Energy Fund SICAV
1 Sub-Fund	Rohfund Global SICAV plc

ROLL-OVER ISSUES

The following Corporate Bonds were rolled-over during 2010.

€5,613,283	5% International Hotel Investments plc Convertible Bonds 2010
€7,723,273	6.7% Eden Finance plc Bonds 2010
€7,569,533	6.6% Simonds Farsons Cisk plc Bonds 2010-2012
€12,568,712	6.7% Tumas Investment plc Bonds 2010-2012

REDEMPTIONS AND MERGERS

Eight (8) Government Stock Issues and ten (10) Corporate Bond issues together with seventy-three (73) issues of Treasury Bills were redeemed during the year. Furthermore, four (4) Government Stock issues were merged with other tranches of the same stock on due date and re-issued as an integrated stock.

Redemptions

- 5% MGS 2021 FI Aug 09
- 5.4% MGS 2010 (IV)
- 3.6 MGS 2013 (IV) FI Nov 09
- 4.6% MGS 2020 (II) FI Feb 10
- 7% MGS 2010 (III)
- 5.95% MGS 2010 (II)
- 4.6% MGS 2020 (II) FI May
- 5.9% MGS 2010
- 6.15% BOV Subordinated Bonds 2010
- 6.5% Corinthia Finance plc Euro Bonds 2010
- 5% International Investments Hotel plc Convertible Bonds 2010
- 6.7% Mizzi Organisation Finance plc Bonds 2009-2012
- 6.7% Tumas Investment plc Bonds 2010-2020
- 5.75% Mariner Finance plc Bonds 2008-2010
- 8% Bank of Valletta US$ Bonds 2010
- 6.7% Eden Finance plc Bonds 2010
- 6.6% Simonds Farsons Cisk plc Bonds 2010-2012
- 6% Dolmen Properties Secure Bonds 2010-2013 (50% redeemed)

Merged

- 5% MGS 2021
- 3.6% MGS 2013 (IV)
- 4.6% MGS 2020 (II)
- 4.6 MGS 2020 (II)

Delisting

The following Collective Investment Schemes were delisted during 2010.

Primary

Barclays Investments Funds (Channel Islands) Ltd Sterling Bond Fund
Lombard Funds SICAV plc – Lombard Enterprise Fund

Secondary

- Barclays Euro Blue Chip Fund
- Barclays Euro Value Opportunity Fund
- Barclays Euro Cash Fund
- Barclays Euro Convertible Bond Fund
- Lloyds TSB Money Market Fund Ltd Canadian Dollar
- Lloyds TSB Money Market Fund Ltd Swiss Franc Fund
- Lloyds TSB Money Market Funds Ltd Managed Sterling Fund
- Fidelity Funds US$ Bond Fund A-Accumulator

FINANCIAL INSTRUMENTS GRANTED ADMISSION AS AT 31 DECEMBER 2010

Following all the changes to the Exchange's recognized lists during the year, as outlined above, a total of 354 financial instruments appeared on the Exchange's recognized lists at the end of 2010, classified as follows :

20	Equities – Ordinary Shares
43	Corporate Bonds
40	Malta Government Stocks
20	Treasury Bills
1	Close-ended Collective Investment Scheme
45	Open-ended Collective Investment Scheme (Primary Listing)
184	Open-ended Collective Investment Scheme (Secondary Listing)
1	Structured Debt Instrument

CENTRAL SECURITIES DEPOSITORY

At the end of 2010 the number of accounts held within the Central Securities Depository (CSD) stood at 235,723, an increase of 21,000 when compared to the number of CSD accounts at the end of 2009. The number of CSD accounts continued to rise steadily due to the number of new admissions during the year and the increase in size of the individual new registers.

These accounts represent 71,680 individuals, an increase of almost 2,500 over the previous year.

The number of investors holding corporate bonds has continued to increase as a result of the new issues that came to the market during the year. At the end of 2010, 94,566 investors held corporate bonds, up from 77,000 the previous year. A total of 76,766 investors also held Government Stocks, up from 73,000 the previous year, while 64,335 investors held balances in equity issues, up from 63,000 at the end of 2009. A further 56 investors held balance in Treasury Bills.

The number of amendments effected on the registers held within the CSD, during 2010 totaled 58,414, an increase of 11,000 when compared to the previous year. This increase in amendments to the registers was largely due to the increase in trading which raised the bought/sold movements on the various registers.

CSD Amendments

Amendment Type	January	February	March	April	May	June	July	August	September	October	November	December	Total
Causa Mortis	118	269	134	82	91	118	186	250	122	205	280	91	1,946
Garnishee Insert	7	15	16	9	5	13	3	5	7	6	10	5	101
Garnishee Release	7	10	14	8	5	22	4	13	4	4	13	3	107
Holder Amendment	77	144	215	90	106	121	167	130	148	122	94	69	1,483
Mandate/Power of Attorney	195	409	211	271	384	164	348	350	137	309	476	357	3,611
Bought Movements	1,938	1,360	2,740	1,532	1,880	1,233	2,030	1,708	1,722	2,118	1,877	1,417	21,555
Sold Movements	1,938	1,360	2,740	1,532	1,880	1,233	2,030	1,708	1,722	2,118	1,877	1,417	21,555
Release of Estates	278	318	414	306	352	342	454	294	199	426	395	333	4,111
Off Market Transfers/Donations	126	101	126	236	235	135	141	355	179	165	196	79	2,074
Pledge Insert	61	81	99	61	71	84	133	108	98	65	67	50	978
Pledge Release	110	61	101	92	65	80	68	65	91	87	13	60	893
Total	**4,855**	**4,128**	**6,810**	**4,219**	**5,074**	**3,545**	**5,564**	**4,986**	**4,429**	**5,625**	**5,298**	**3,881**	**58,414**

Dividend and Interest Payments 2010

Payment Date	Gross (Euro)	Gross (GBP)	Gross (US$)	No of Payments
January	19,871,995	-	-	15,207
February	133,743,201	-	-	30,747
March	26,975,444	-	-	28,191
April	45,809,829	-	-	37,569
May	51,398,524	-	-	66,853
June	57,313,168	-	-	22,537
July	25,346840	-	-	22,456
August	42,309,925	-	-	35,444
September	29.194,814	-	3,097,126	36,586
October	19,854,379	-	-	23,044
November	15,489,563	-	-	24,188
December	47,337,701	505,001	-	41,987
TOTAL	**514,645,383**	**505,001**	**3,097,126**	**384,809**

The CSD also processed a number of corporate actions during the year including redemptions, amalgamations of fungible registers and dividend and interest payments. During the year the CSD processed on behalf of Issuers, almost 385,000 dividend and interest payments, an increase of 30,000 over the previous year, amounting to almost €520 million, an increase of €170 million over the 2009 figure.

COMPLIANCE AND MARKET OPERATIONS OFFICE

Throughout the year, Compliance and Market Operations Office continued with its core function of direct monitoring of trading and also continued to monitor compliance of Members and listed companies with the rules and regulations of the Exchange with particular focus on trading matters and reporting requirements. Officials from this office also continued to be directly involved in the regular meetings held with the Listing Committee to discuss matters pertinent to admission and continuing obligations and also in other projects currently being undertaken by the Exchange.

Furthermore, Compliance and Market Operations Office also assisted Senior Management in providing the background data required for the on-going discussions and deliberations related to trade ranges and small trades. In fact, new procedures relating to trade ranges were issued by means of an appropriate notice on 16 July 2010 explaining the new procedures, which become effective on 20 July 2010. The new procedures relating to trade ranges outlined the applicability of such rules, widened the trade range limit from +/- 7% to +/- 10% and also outlined clear rules and procedures for the removal/re-instatement of trade ranges. The new procedures highlighted the basic premise that trade ranges would be removed/ re-instated in line with announcements of corporate actions and/ or when there was no trading for a defined period of time, while at the same time the Exchange reserved the discretion to remove, re-instate or alter trade ranges should particular market circumstances so determine.

Compliance and Market operations Office conducted a number of on-line training sessions and relative tests in respect of the 8 new trades authorized to trade during the year and also assisted the Member Firm which merged with another authorized intermediary in all the processes and updating of records required.

Through the Company Information Dissemination System, a total of 438 Company Announcements were issued throughout the year, an increase from 344 issued during 2009. This increase reflected the new admissions to the Exchange's recognized lists as well as an increase in the corporate actions undertaken by listed companies. The issue of Company Announcements was concentrated towards the first half of the year when most of the listed companies issued their financial information.

Company Announcements were issued as follows during the year.

January	13
February	28
March	37
April	66
May	56
June	37
July	38
August	57
September	17
October	16
November	34
December	39

Compliance and Market Operations Office also issued 298 new ISIN Nos. during 2010, an increase of 25 when compared to the number issued in 2009, in fulfillment of the Exchange's role as the National Numbering Agency. The new ISIN Nos. were issued to both listed and non-listed Maltese registered securities.

OPERATIONS AUDIT OFFICE

During January of 2010, Operations Audit Office concluded its deliberations and discussions with the Exchange's Auditors in relation to the Risk Management and Internal Capital Adequacy Assessment (RMICAAP) exercise which started in 2009. As reported elsewhere in this Report, the Auditors presented their final report to the Board in February 2010 which confirmed that the Exchange had a very robust infrastructure and processes that were capable not only to prevent but also to withstand operational failures. This assessment would continue to be monitored on an on-going basis and Operations Audit Office would present updated findings for the Auditors' review at the beginning of the forthcoming year.

Throughout the year, Operations Audit Office continued to shed its real-time verification role vis-à-vis a number of routine operations and procedures of the Exchange in order to concentrate more fully in its role to test all new processes or amendments to current processes thoroughly before implementation. In particular Operations Audit Office was involved in the drawing up and testing of new Procurement Procedures and substantial changes to the operations of Finance Office, monitoring of the Exchange's Risk Management procedures and was also involved in drawing up and testing procedures in relation to other new services to be provided by the Exchange.

While shedding its verification role, Operations Audit Office continued to carry out real-time verification of a number of core processes, such as those related to pledging and corporate actions and other bulk processes carried out by Data Operations Office.

OTHER EXCHANGE FUNCTIONS AND ACTIVITIES

Operations

Throughout the year all the offices of the Exchange continued to build and consolidate new processes and procedures. In particular, during 2010, there was a complete review and updating of the structure and procedures and processes within Finance Office. Manager Finance took on the role of Financial Controller while at the same time a number of new processes and procedures were put in place, mostly in relation to the implementation of VAT guidelines as well as additional regulatory reporting requirements. Instructions were issued to both Members and Listed Companies in relation to the implementation of VAT guidelines.

Various offices of the Exchange were also involved in two major projects being undertaken by the Exchange, namely the link with Clearstream Luxembourg SA and the implementation of services related to the Shareholders Rights Directive. Both these projects which involve legal, regulatory and operational input, are due to be launched early in 2011.

On an on-going basis, the Exchange also handled the primary market procedures in respect of the new financial instruments coming to the market and in some cases, as requested, also carried out the functions of Registrar in relation to new issues. Also on an on-going basis the Exchange processed bulk corporate actions including, for the first time, the bulk buy-back of one of the listed bonds.

Besides representing the Exchange on the various Committees of the international organizations of which the Exchange is a member, senior officials also continued to represent the Exchange on a number of committees including the Public Debt Management Committee, the Financial Services Consultative Committee as well as the committee on Anti-Money Laundering Regulations.

Premises

During 2010 the Exchange continued with the refurbishment programme of the Exchange's premises which was commenced in 2009 and which was overseen by Corporate Services Office. These refurbishment works included the upgrading of the Lobby and the Conference Hall, a review of all Maintenance Agreements, upgrade to the outside areas of the Exchange and additional efforts to continue to reduce energy costs. The Exchange premises and its refurbishment have proven to be an interesting project for Architectural students. In this respect Manager Corporate Services gave various lectures to these students together with tours of the building. Furthermore, over 100 teachers participated in lectures, also given by Manager Corporate Services, organized by the Ministry for Resources and Rural Affairs in collaboration with the Education Department, in relation to energy efficiency of buildings and related matters.

The Alfred Camilleri Conference Hall continued to be a popular venue for companies, Government Departments and other organizations to hold various events. The Alfred Camilleri Conference Hall was in use practically throughout the whole year. An updated Function and Fees Sheet was drawn up during the year describing the various options available for clients including the facilities available, food and beverage and applicable fees.

Malta Week

In October the Exchange participated in "Malta Week" held in Brussels organized to promote Malta, its products and services, including financial services. The Exchange, together with a number of other organizations, set up a stand which was ably manned by Mr Anthony Cardona, Manager Corporate Services, where

visitors could learn more about the Exchange and the services it offers through the printed material available and also through a presentation which was shown continuously throughout the days of the exhibition. Several thousand visitors visited the exhibition and attended the various events related to the exhibition. The Exchange's stand proved to be very popular and various dignitaries, such as Malta's EU Commissioner, Mr John Dalli and the Hon

Minister of Finance, Mr T Fenech, also visited the stand and had the opportunity to learn more about the Exchange, its operations and functions.

Education

The Exchange's on-going education for schools continued during 2009. The Exchange welcome hundreds of secondary school students of varying ages from around 30 schools spread over 34 visits. Several staff members were involved in delivering lectures to these students and it is due to their hard work and commitment, that such visits continue to be a success and for which the Exchange receives very positive feedback.

Apart from these school visits the General Manager also conducted specific lectures to new recruits of one of the major banks in Malta, University students as part of their course work and she also delivered lectures relating to Exchange operations and functions as part of a finance course organized by MITC.

Also as part of its education programme in 2010 the Exchange presented the Alfred Camilleri Prize to two University students in relation to their dissertation. The two prizes were awarded to Ms Donna Ellul and Ms Michelle Farrugia Galea, both from the Faculty of Banking and Finance for their dissertations, namely "The Global Financial Crisis : To what extent was Basel II responsible?" and "The cause and effect of the 2007 credit crunch crisis".

Furthermore, during the first quarter of the month representatives of the Exchange participated in six (6) TV programmes regarding the local financial sector which were aired on the local Education Channel 22. Exchange officials spoke about the core operations of the organisation, in particular trading, the Central Securities Depository and compliance. The Chief Executive took part in the final programme of the series when he spoke about the Exchange's economic role and its future strategies.

In April, as it has done for the past several years, the Exchange welcomed a number of representatives from Commonwealth countries. These visitors spent a morning at the Exchange when they were addressed by a number of officials of the Exchange who gave them a brief overview of the functions and services carried out by the Exchange, in particular those operations in relation to the Exchange's core services.

Membership

At the end of 2010, a total of twelve (12) firms together with the Central Bank of Malta appeared on the Exchange's list of Member Firms. No new Member Firms were authorized during the year.

In July, Atlas Investment Services Ltd, an authorized Member Firm, merged with Jesmond Mizzi Financial Services Ltd to form Atlas JMFS Investment Services Ltd. The Membership License of Atlas Investment Services Ltd was transferred to the newly merged company.

Traders

Eight (8) new traders representing a number of Member Firms were authorized to trade during the year. Forty-seven traders appeared on the Exchange's List of Authorised Traders at the end of the year representing the twelve (12) Member Firms and the Central Bank of Malta.

College of Member Firms

Mr Vincent J Rizzo of Rizzo, Farrugia & Co (Stockbrokers) Ltd and Mr David Curmi of Curmi & Partners Ltd continued in their posts of Chairman and Deputy Charman respectively of the College of Member Firms, set up in the terms of the provisions of the Financial Markets Act.

The College held regular meetings with the Chairman and Senior Manager of the Exchange throughout the year wherein matters of mutual interest were discussed with particular focus on market operations and admission. In particular throughout the year under review, the Members actively contributed, together with the listed companies, with regard to the setting up of new procedures in respect of trade ranges which were implemented in July. The Members also gave very valid feedback to the Exchange regarding new listing provisions issued by the Listing Authority and other matter such as admission and CSD procedures.

The Exchange is very conscious of the continued support and commitment of its Members and in particular of the active role of the College, without which the Exchange's development and the expansion of its markets could not be achieved. The Exchange would like to take the opportunity to thank all its Members for their endeavours.

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Audited Financial Statements

for the period ended 31 December 2010

GENERAL INFORMATION

Malta Stock Exchange plc was incorporated on 5 October 2007 in accordance with Act XX of 2007, and succeeded to all the assets, liabilities, rights and obligations of the former Malta Stock Exchange ("MSE") as from 1 November 2007. Malta Stock Exchange plc is registered in Malta as a public limited company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 42525.

Directors

Dr Arthur Galea Salomone (Chairman)
Dr Antoine Fiott (Deputy Chairman)
Ms Karen Spiteri Bailey
Ms Charlotte Attard
Dr Richard Sladden

Secretary

Ms Eileen V Muscat	(resigned on 1 October 2010)
Ms Marie Cordina	(appointed on 1 October 2010)

Registered Office

Garrison Chapel
Castille Place
Valletta VLT 1063
MALTA

Bankers

Bank of Valletta plc
Valletta Business Centre
Level 2, Annex
45, Republic Street
Valletta VLT 1113
MALTA

Auditors

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
MALTA

DIRECTORS' REPORT

The directors submit their annual report and audited financial statements for the year ended 31 December 2010.

Principal activity

Malta Stock Exchange plc maintains facilities to ensure an orderly and efficient market place for securities' trading. Malta Stock Exchange plc also provides clearing and settlement, depository and related services for securities.

Results and dividends

The statement of comprehensive income is set out on page (IV) and the movements in the reserves are disclosed in the statement of changes in equity on page (VI). Dividend declared and paid during the year amounted to EUR389,610 (2009: EUR 387,608).

Review of the business

The Company generated a profit before tax of EUR1,701,610 for the financial year ended 31 December 2010 compared to EUR1,197,835 for the year ended 31 December 2009. The directors expect to continue maintaining a sustainable level of activity in the foreseeable future.

Management

During the year ended 31 December 2010 the management of Malta Stock Exchange plc was vested in the Board of Directors as listed on page (I). The Directors were appointed in terms of the Memorandum and Articles of Association of the Company.

Statement of Directors' responsibilities

The Directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year.

The Directors are responsible for ensuring that: -

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements are prepared on the basis that the Company must be presumed to be carrying on its business as a going concern; and
- account has been taken of income and charges relating to the accounting year, irrespective of the date of receipt or payment.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, Cap. 386 of the Laws of Malta. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Ernst & Young Malta Limited have expressed their willingness to continue in office as auditors.

This Report was approved by the Board of Directors of Malta Stock Exchange plc and was signed on its behalf by:

Arthur Galea Salomone
Chairman

Antoine Fiott
Deputy Chairman

25 February 2011

INDEPENDENT AUDITOR'S REPORT
to the Shareholders of Malta Stock Exchange plc

We have audited the accompanying financial statements of Malta Stock Exchange plc, set on pages (IV) to (XIX), which comprise the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, the Companies Act, Cap. 386 and the Financial Markets Act, Cap. 345 of the Laws of Malta. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 and the Financial Markets Act, Cap. 345 of the Laws of Malta.

Report on other Legal and Regulatory Requirements

We also have responsibilities under the Companies Act, Cap. 386 of the Laws of Malta to report to you if in our opinion:

- the information given in the directors' report is not consistent with the financial statements,
- adequate accounting records have not been kept,
- the financial statements are not in agreement with the accounting records,
- we have not received all the information and explanations we require for our audit, and
- if certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

This copy of the audit report has been signed by Mario P Galea for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

25 February 2011

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2010 EUR	2009 EUR
Revenue	5	**4,220,718**	3,810,370
Administrative expenses	6	**(2,678,220)**	(2,716,908)
Operating profit		**1,542,498**	1,093,462
Income from other financial assets	8	**159,746**	103,169
Finance revenue	9	**752**	1,204
Finance costs	10	**(1,386)**	-
Profit before tax		**1,701,610**	1,197,835
Income tax expense	11	**(567,907)**	(411,744)
Profit for the year		**1,133,703**	786,091
Other comprehensive income			
Net (loss)/gain on available-for-sale financial assets		**(50,696)**	8,734
Total comprehensive income for the year net of tax		**1,083,007**	794,825

The accounting policies and explanatory notes on pages (VIII) to (XIX) form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2010 EUR	2009 EUR
ASSETS			
Non-current assets			
Plant and equipment	13	**590,349**	703,311
Intangible assets	14	**70,531**	121,653
Other non-current financial assets	15	**3,020,976**	2,580,111
Deferred tax asset	20	**11,121**	-
		3,692,977	3,405,075
Current assets			
Trade and other receivables	16	**1,540,433**	1,251,102
Cash at bank and in hand	22	**429,240**	171,162
		1,969,673	1,422,264
TOTAL ASSETS		**5,662,650**	4,827,339
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	17	**2,500,000**	2,500,000
Revaluation reserve	18	**40,598**	91,294
Retained earnings		**1,799,886**	1,055,793
Total equity		**4,340,484**	**3,647,087**
Non-current liabilities			
Deferred tax liability	20	-	7,831
Current liabilities			
Interest bearing borrowings	19	**4,819**	4,563
Trade and other payables	21	**1,261,305**	962,530
Income tax payable		**56,042**	205,328
		1,322,166	1,172,421
Total liabilities		**1,322,166**	1,180,252
TOTAL EQUITY AND LIABILITIES		**5,662,650**	4,827,339

The accounting policies and explanatory notes on pages (VIII) to (XIX) form an integral part of the financial statements.

The financial statements on pages (IV) to (XIX) have been authorised for issue by the Board of Directors on 25 February 2011 and were signed on its behalf by:

Arthur Galea Salomone
Chairman

Antoine Fiott
Deputy Chairman

STATEMENT OF CHANGES IN EQUITY

	Notes	Issued capital EUR	Revaluation reserve EUR	Retained earnings EUR	Total EUR
At 1 January 2009		**2,500,000**	**82,560**	**657,310**	**3,239,870**
Profit for the year		-	-	786,091	786,091
Other comprehensive income		-	8,734	-	8,734
Total comprehensive income		-	8,734	786,091	794,825
Dividends paid	12	-	-	(387,608)	(387,608)
At 31 December 2009		**2,500,000**	**91,294**	**1,055,793**	**3,647,087**
At 1 January 2010		**2,500,000**	**91,294**	**1,055,793**	**3,647,087**
Profit for the year		-	-	1,133,703	1,133,703
Other comprehensive income		-	(50,696)	-	(50,696)
Total comprehensive income		-	(50,696)	1,133,703	1,083,007
Dividends paid	12	-	-	(389,610)	(389,610)
At 31 December 2010		**2,500,000**	**40,598**	**1,799,886**	**4,340,484**

The accounting policies and explanatory notes on pages (VIII) to (XIX) form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Notes	2010 EUR	2009 EUR
Operating activities			
Profit before tax		**1,701,610**	1,197,835
Adjustment to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of plant and equipment	13	**159,797**	158,218
Amortisation of intangible assets	14	**60,341**	60,434
Interest receivable from available-for-sale financial assets	8	**(119,323)**	(99,004)
Gain on disposal of available-for-sale financial assets	8	**(40,423)**	(4,165)
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		**(287,595)**	11,876
Increase in trade and other payables		**298,775**	13,147
Income tax paid		**(736,145)**	(295,656)
Net cash flows from operating activities		**1,037,037**	1,042,685
Investing activities			
Purchase of plant and equipment	13	**(46,835)**	(88,988)
Purchase of intangible assets	14	**(9,219)**	(15,923)
Purchase of available-for-sale financial assets		**(1,244,119)**	(1,553,264)
Proceeds from available-for-sale financial assets		**757,767**	923,287
Interest received from available-for-sale financial assets		**152,801**	127,429
Net cash flows used in investing activities		**(389,605)**	(607,459)
Financing activities			
Dividends paid	12	**(389,610)**	(387,608)
Net cash flows used in financing activities		**(389,610)**	(387,608)
Net increase in cash and cash equivalents		**257,822**	47,618
Cash and cash equivalents at 1 January		**166,599**	118,981
Cash and cash equivalents at 31 December	22	**424,421**	166,599

The accounting policies and explanatory notes on pages (VII) to (XIX) form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation

Malta Stock Exchange plc ("the Company") was incorporated on 5 October 2007, in accordance with Act XX of 2007, and succeeded to all the assets, liabilities, rights and obligations of the former Malta Stock Exchange ("MSE") as from 1 November 2007. All assets and liabilities had been transferred at the carrying amounts presented in the audited financial statements of the Malta Stock Exchange as of 31 October 2007. Malta Stock Exchange plc is registered in Malta as a public limited company under the Companies Act, Cap. 386 of the Laws of Malta.

2.1 Basis of Preparation and Statement of Compliance

These financial statements are prepared under the historical cost convention, except for available-for-sale financial assets that have been measured at fair value. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union and comply with the Companies Act, Cap. 386 and the Financial Markets Act, Cap. 345 of the Laws of Malta.

2.2 Changes in Accounting Policies and Disclosures

Standards, interpretations and amendments to published standards effective in 2010

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company.

IFRS 1 First Time Adoption of IFRS (Revised) *effective for annual periods beginning on or after 1 July 2009*

IFRS 1 Additional Exemptions for First-time Adopters (Amendment) *effective for annual periods beginning on or after 1 January 2010*

IFRS 2 Group Cash-settled Share-based Payment Transactions (Amendment) *effective for annual periods beginning on or after 1 January 2010*

IFRS 3 Business Combinations (Revised) effective for annual periods beginning on or after 1 July 2009

IAS 27 Consolidated and Separate Financial Statements (Amendment) *effective for annual periods beginning on or after 1 July 2009*

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (Amendment) *effective for annual periods beginning on or after 1 July 2009*

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement' – Embedded derivatives *effective for annual periods beginning on or after 30 June 2009*

IFRIC 17 Distributions of Non-Cash Assets to Owners *effective for annual periods beginning on or after 1 July 2009*

2009 Improvements to IFRSs

Standards, interpretations and amendments to published standards that are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Company has not early adopted. None of the below mentioned standards will have an effect on the Company's financial position and performance. These are as follows:

IFRS 1 First Time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS7 Disclosures for First Time Adopters effective for annual periods beginning on or after 1 July 2010

IAS 24 Related Party Disclosures (Revised) effective for annual periods beginning on or after 1 January 2011

IAS 32 Financial Instruments: Presentation – Amendments relating to classification of rights issues effective for annual period beginning on or after 1 February 2010

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments) effective for annual periods beginning on or after 1 January 2011

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective for annual periods beginning on or after 1 July 2010

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet endorsed by the EU:

2.2 Changes in Accounting Policies and Disclosures *(continued)*

The following standards, interpretations and amendments have been issued by the IASB but not yet endorsed by the EU:

IFRS 1	Amendments - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
IFRS 7	Amendments – Financial Instruments: Disclosures
IFRS 9	Financial Instruments
IAS 12	Amendments – Deferred tax: Recovery of Underlying Assets

Improvements to IFRSs (Issued by the IASB in May 2010)

3. Summary of Significant Accounting Policies

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Stockbrokers, listing and register fees
Revenue is recognised on an accrual basis.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance revenue in the statement of comprehensive income.

Foreign currency translation
The financial statements are presented in Euro (EUR), which is also the Company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the functional rate prevailing at the date of the transaction. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Settlement of deals
The Company provides the services of a clearing house to facilitate the settlement of deals made during the trading session. Since these clearing house activities are not transactions of the Company, they are not reflected in these financial statements.

Plant and equipment
Plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. When significant parts of plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

General electrical equipment	15 years
Computer hardware	5 years
Office furniture, fittings and other equipment	6 to 10 years

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Company as a lessee
Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

3. Summary of Significant Accounting Policies *(continued)*

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. A summary of the policies applied to the Company's intangible assets is as follows:

	Useful lives	Amortisation method	Internally generated or acquired
Computer software	Finite (5 years)	Amortised on a straight line basis	Acquired

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. All financial assets are initially recognised at cost, being the fair value of the consideration given, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Company has classified its financial assets during the current year as 'available-for-sale' financial assets. Available-for-sale financial assets are debt securities. Debt securities are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market contributions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the statement of comprehensive income in finance costs and removed from the revaluation reserve.

The Company evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and managements' intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intent to hold until the financial asset accordingly.

For financial assets actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the reporting date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis based on the expected cash flows of the underlying net asset base of the investment and option pricing models.

Derecognition of financial assets

A financial asset is derecognised (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the right to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but the Company has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset have been transferred and either the Company (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Financial liabilities are initially recognised at cost, being the fair value of the consideration received, including transaction costs that are directly attributable to the issue of the financial liability, in the case of financial liabilities not at fair value through profit or loss.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date", that is, the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets (other than goodwill and any indefinite life intangibles) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose suitable discount rate in order to calculate the present value of those cash flows.

Impairment and uncollectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount as follows:

- for financial assets at amortised cost - the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of comprehensive income for the year; and

- for available-for-sale financial assets - if an available-for-sale financial asset is impaired, an amount comprising the difference between the cost and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income.

The recoverable amount is determined by discounting the estimated future cash flows to present values at the financial assets' original effective interest rate.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for impairment is made when there is objective evidence (such as financial difficulties of a receivable) that the Company will not be able to collect the full amount due. Impaired receivables are derecognised when they are assessed as uncollectible.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term investments with an original maturity of three months or less, highly liquid and readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and short-term deposits at banks as defined above, net of other outstanding bank overdrafts.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid for goods and services received, whether or not billed to the Company.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary difference, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Summary of Significant Accounting Policies *(continued)*

Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where it is expected that some or all of a provision is to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

4. Significant Accounting Judgements, Estimates and Assumptions

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

5. Revenue

Revenue comprises membership and other fees receivable from stockbrokers, together with fees receivable in respect of the listing, clearing, registration and trading of quoted securities and related services. The income from the main activities was as follows:

	2010 EUR	2009 EUR
Stockbrokers fees	**215,499**	211,662
Listing fees	**2,582,500**	2,390,141
Register fees	**1,261,054**	1,084,473
Transaction fees and other income	**161,665**	124,094
	4,220,718	3,810,370

6. Expenses by Nature

	2010 EUR	2009 EUR
Emoluments of the chairman and board members	**25,157**	22,828
Salaries, social security and other staff costs (note 7a)	**1,287,386**	1,241,111
Travelling and attendance at conferences and workshops	**94,760**	116,299
Publications, printing and stationery	**105,934**	120,042
Subscriptions	**114,742**	115,571
Rent	**99,843**	101,611
Insurances	**68,919**	68,322
Consultancy and professional fees	**183,344**	216,502
Auditors' remuneration	**8,260**	8,260
Depreciation of plant and equipment	**159,797**	158,218
Amortisation of intangible assets	**60,341**	60,434
Miscellaneous expenses	**469,737**	487,710
Total administrative expenses	**2,678,220**	2,716,908

Consultancy and professional fees included remuneration payable to the company's auditors as follows:

	2010 EUR	2009 EUR
Other assurance services	**2,100**	3,097
Tax compliance	**2,985**	2,596
Other non-audit services	**-**	55,630

7. Employee Information

a. **Staff costs**

The total employment costs were as follows:

	2010 EUR	2009 EUR
Wages and salaries	**1,187,470**	1,141,875
Social security costs	**75,782**	71,131
Other staff costs	**24,134**	28,105
	1,287,386	1,241,111

b. **Staff numbers**

The average number of persons employed by Malta Stock Exchange plc during the year was 50 (2009: 49).

8. Income from Other Financial Assets

	2010 EUR	2009 EUR
Interest on available-for-sale financial assets	**119,323**	99,004
Gain on disposal of available-for-sale financial assets	**40,423**	4,165
	159,746	103,169

9. Finance Revenue

	2010 EUR	2009 EUR
Interest on bank balances	**752**	1,204

10. Finance Costs

	2010 EUR	2009 EUR
Interest on bank overdraft	**1,386**	-

11. Income Tax Expense

The tax charge for the year is comprised of the following:

	2010 EUR	2009 EUR
Current tax expenses	**586,859**	433,715
Deferred tax credit (note 20)	**(18,952)**	(21,971)
Income tax expense	**567,907**	411,744

The income tax expense differs from the theoretical tax expense that would apply on the Company's profit before tax using the applicable tax rate in Malta of 35% as follows:

	2010 EUR	2009 EUR
Profit before tax	**1,701,610**	1,197,835
Theoretical tax expense at 35%	**595,564**	419,242
Tax effect of		
- expenses not deductible for tax purposes	**5,224**	8,944
- income subject to lower rates of tax	**(18,733)**	(15,458)
- income not subject to tax	**(14,148)**	(984)
Income tax expense	**567,907**	411,744

12. Dividends

	2010 EUR	2009 EUR
Declared and paid during the year:		
Interim dividend on ordinary shares for 2010: 15.6 cents (2009: 15.5 cents)	**389,610**	387,608

13. Plant and Equipment

	General electrical equipment EUR	Computer hardware EUR	Office furniture, fittings & other equipment EUR	Total EUR
Cost				
At 31 December 2008	642,531	76,387	230,434	949,352
Additions	15,321	9,908	63,759	88,988
At 31 December 2009	657,852	86,295	294,193	1,038,340
Additions	13,353	22,216	11,266	46,835
At 31 December 2010	**671,205**	**108,511**	**305,459**	**1,085,175**
Depreciation and impairment				
At 31 December 2008	84,102	27,969	64,740	176,811
Depreciation charge for the year	73,266	21,424	63,528	158,218
At 31 December 2009	157,368	49,393	128,268	335,029
Depreciation charge for the year	75,747	21,014	63,036	159,797
At 31 December 2010	**233,115**	**70,407**	**191,304**	**494,826**
Net book value				
At 31 December 2010	**438,090**	**38,104**	**114,155**	**590,349**
At 31 December 2009	500,484	36,902	165,925	703,311

14. Intangible Assets

	Computer software EUR
Cost	
At 31 December 2008	232,223
Additions	15,923
At 31 December 2009	248,146
Additions	9,219
At 31 December 2010	**257,365**
Amortisation and impairment	
At 31 December 2008	66,059
Amortisation	60,434
At 31 December 2009	126,493
Amortisation	60,341
At 31 December 2010	**186,834**
Net book value	
At 31 December 2010	**70,531**
At 31 December 2009	121,653

The average remaining amortisation period of computer software is of 1¼ years.

15. Other Financial Assets

Available-for-sale financial assets (at fair value)

a. The fair value of the financial assets is as follows:

	2010 EUR	2009 EUR
Non-current		
Malta Government Stocks	**3,020,976**	2,580,111

b. The amortised cost of the financial assets is as follows:

	Effective interest rate %	2010 EUR	2009 EUR
Non-current			
Malta Government Stocks	4.52 / 4.68	**2,980,378**	2,488,817

c. The revaluation difference of the financial assets (recognised in equity) is as follows:

	2010 EUR	2009 EUR
Non-current		
Malta Government Stocks	**40,598**	91,294

The Company has investments in listed debt securities. The fair value of the quoted debt securities is determined by reference to published price quotations in an active market.

Fair value hierarchy
As at 31 December 2010, the Company held the following financial instruments measured at fair value. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 Dec 2010 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Available-for-sale financial assets				
Debt securities	**3,020,976**	**3,020,976**	**-**	**-**

	31 Dec 2009 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Available-for-sale financial assets				
Debt securities	2,580,111	2,580,111	-	-

During the financial years ended 31 December 2010 and 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

16. Trade and Other Receivables

	2010 EUR	2009 EUR
Fees receivable (note i)	**1,300,170**	992,039
Prepayments and accrued income	**115,429**	110,494
Amounts due from related parties (note ii)	**124,834**	148,569
	1,540,433	1,251,102

16. Trade and Other Receivables *(continued)*

i. As at the reporting date, the ageing analysis of fees receivable is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			>30 days	60-90 days	90 days and older
	EUR	EUR	EUR	EUR	EUR
2010	**1,300,170**	**1,184,957**	**30,158**	**63,693**	**21,362**
2009	992,039	883,614	79,919	1,807	26,699

Fees receivable include trade receivables due from the Government of Malta, a related party, of EUR358,774 (2009: EUR294,517). No provision for impairment was deemed necessary as at 31 December 2010.

ii.Amounts due from related parties are unsecured, non-interest bearing and with no fixed date of repayment. These amounts are due from MSE (Holdings) Limited and CSD (Malta) plc and are not related to the trading activities of the Company.

17. Issued Capital

	2010 EUR	2009 EUR
Authorised		
5,000,000 ordinary shares of EUR1 each	**5,000,000**	5,000,000
Issued and fully paid up		
2,500,000 ordinary shares of EUR1 each	**2,500,000**	2,500,000

18. Reserves

Revaluation reserve

This reserve records fair value changes on available-for-sale financial assets, representing net unrealised gains not available for distribution.

19. Interest Bearing Borrowings

	2010 EUR	2009 EUR
Current borrowings		
Bank overdraft (note 22)	**4,819**	4,563

The Company has unsecured overdraft facilities of EUR750,000 to cover any temporary shortfall in the Securities Settlement account and as an Overnight Facility to finance exchange operations.

The facilities bear interest at 2% over the Banks Base Rate which was of 4.45% at last renewal of the facility

20. Deferred Tax

The movement in the deferred taxation account for the year is analysed as follows:

	2010 EUR	2009 EUR
Opening balance as of 1 January	**7,831**	29,802
Credited in the statement of comprehensive income (note 11)	**(18,952)**	(21,971)
Closing balance 31 December	**(11,121)**	7,831

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35%. Deferred income tax at 31 December, disclosed with assets and liabilities, relates to the following:

	2010 EUR	2009 EUR
Excess of capital allowances over depreciation and amortisation	**(16,415)**	2,797
Accrued investment income taxable upon receipt	**5,294**	5,034
	(11,121)	7,831

21. Trade and Other Payables

	2010 EUR	2009 EUR
Trade payables (note i)	**128,719**	134,811
Prepaid listing fees	**568,965**	494,519
Accruals	**114,337**	87,256
Other taxes	**203,340**	-
Amounts due to related party (note ii)	**245,944**	245,944
	1,261,305	962,530

i. Trade payables are non-interest bearing and are normally settled on 60 day term.

ii. Amounts due to related party are unsecured, non-interest bearing and with no fixed date of repayment. These amounts are due to the Government of Malta.

22. Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and on hand, net of other outstanding bank facilities as follows:

	2010 EUR	2009 EUR
Cash at bank and on hand	**429,240**	171,162
Bank overdraft (note 19)	**(4,819)**	(4,563)
	424,421	166,599

23. Immediate Parent and Ultimate Holding Party

The immediate parent company of Malta Stock Exchange plc is MSE (Holdings) Limited, a company registered in Malta having its registered address at Garrison Chapel, Castille Place, Valetta.

The ultimate holding party of Malta Stock Exchange plc is the Government of Malta.

24. Related Party Transactions and Balances

The related parties of the company with which the Company had balances outstanding as of 31 December 2010 or transactions during the year then ended were as follows:

MSE (Holdings) Limited (shareholder of the Company)
CSD (Malta) plc (subsidiary of MSE (Holdings) Ltd)
Government of Malta (ultimate holding party)

Related party transactions
During the year, the Company enter into various transactions with related parties, as follows:

		2010 EUR	2009 EUR
Revenue	*Related Party*		
Listing fees	Government of Malta	**1,299,400**	1,178,663
Register fees	Government of Malta	**408,165**	350,107
Administrative expenses			
Rent	MSE (Holdings) Limited	**90,000**	90,000

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions.

Key management personnel
The chairman and board members are considered to be key management personnel. Included in Administrative expenses are salaries paid to the chairman and board members amounting to EUR25,157 (2009: EUR22,828).

Related party balances
The outstanding amounts at year end together with the related terms have been separately disclosed in notes 16 and 21.

25. Financial Risk Management Objectives and Policies

At the year end, the Company's main financial assets on the statement of financial position comprise available-for-sale financial assets, trade and other receivables and cash at bank and in hand. At the year end, there were no off-balance sheet financial assets.

At the year end, the Company's main financial liabilities comprise of bank overdraft and trade and other payables. At the year end, there were no off-balance sheet financial liabilities.

The main risks arising from the Company's financial assets and liabilities are credit risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Financial assets which potentially subject the Company to credit risk consist principally of available-for-sale investments, trade receivables, amount due from related parties and cash at bank. The maximum exposure is the carrying amounts disclosed as follows:

	2010 **EUR**	2009 EUR
Available-for-sale investments (note15a)	**3,020,976**	2,580,111
Fees receivable (note 16)	**1,300,170**	992,039
Amounts due from related parties (note 16)	**124,834**	148,569
Cash at bank	**428,967**	171,045
	4,874,947	3,891,764

The credit risk relating to available-for-sale investments is considered to be low in view of management's policy of investing only in high quality sovereign securities which are listed on recognised stock exchanges. The Company's cash at bank is placed with quality financial institutions. Carrying amounts for trade receivables are stated net of the necessary provisions which have been prudently made against bad and doubtful debts in respect of which management reasonably believes that recoverability is doubtful.

The Company's exposure to credit risk arises from activity exceeding 25% of its revenues. At year end the Company had EUR358,774 (2009: EUR294,517) owed by the Government of Malta representing 28% (2009: 30%) of the Company's total trade receivables. The aforementioned customer generated EUR1,707,565 (2009: EUR1,528,770) of the Company's total revenue, representing 40% (2009: 40%) of the Company's total revenue.

Interest rate risk

The interest rates on the available-for sale investments and bank overdraft are disclosed in notes 15b and 19.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's equity, based on the balances at year end. There is only immaterial impact on the Company's profit before tax.

	Increase/ decrease in basis points	Effect on Equity EUR 000
2010	**+25/-25**	**(2)/2**
2009	+25/-25	(2)/2

Liquidity risk

The Company actively manages its risk of a shortage of funds by closely monitoring the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and proceeds from sale of available-for-sale financial assets. The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

Fair values

The fair value of available-for-sale financial assets is based on quoted market prices at the reporting date. The carrying amounts of cash at bank, trade and other receivables, bank overdraft and trade and other payables approximated their fair values.

25. Financial Risk Management Objectives and Policies *(continued)*

Capital Management

Capital includes equity less the revaluation reserve comprising net unrealised gains. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process during the year.

Externally imposed financial resources requirements

The Company is required to comply with the financial resources requirements as set by the Malta Financial Services Authority (MFSA). Regulated markets and central securities depositories are required to maintain own funds equal or in excess of its capital resources requirements. The Capital Resource requirement is calculated at the higher of (i) initial capital and (ii) the sum of various risk components.

During the year under review, the Company complied with all of the financial resources requirements as stipulated in the financial market rules for regulated markets.

Malta Stock Exchange plc

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